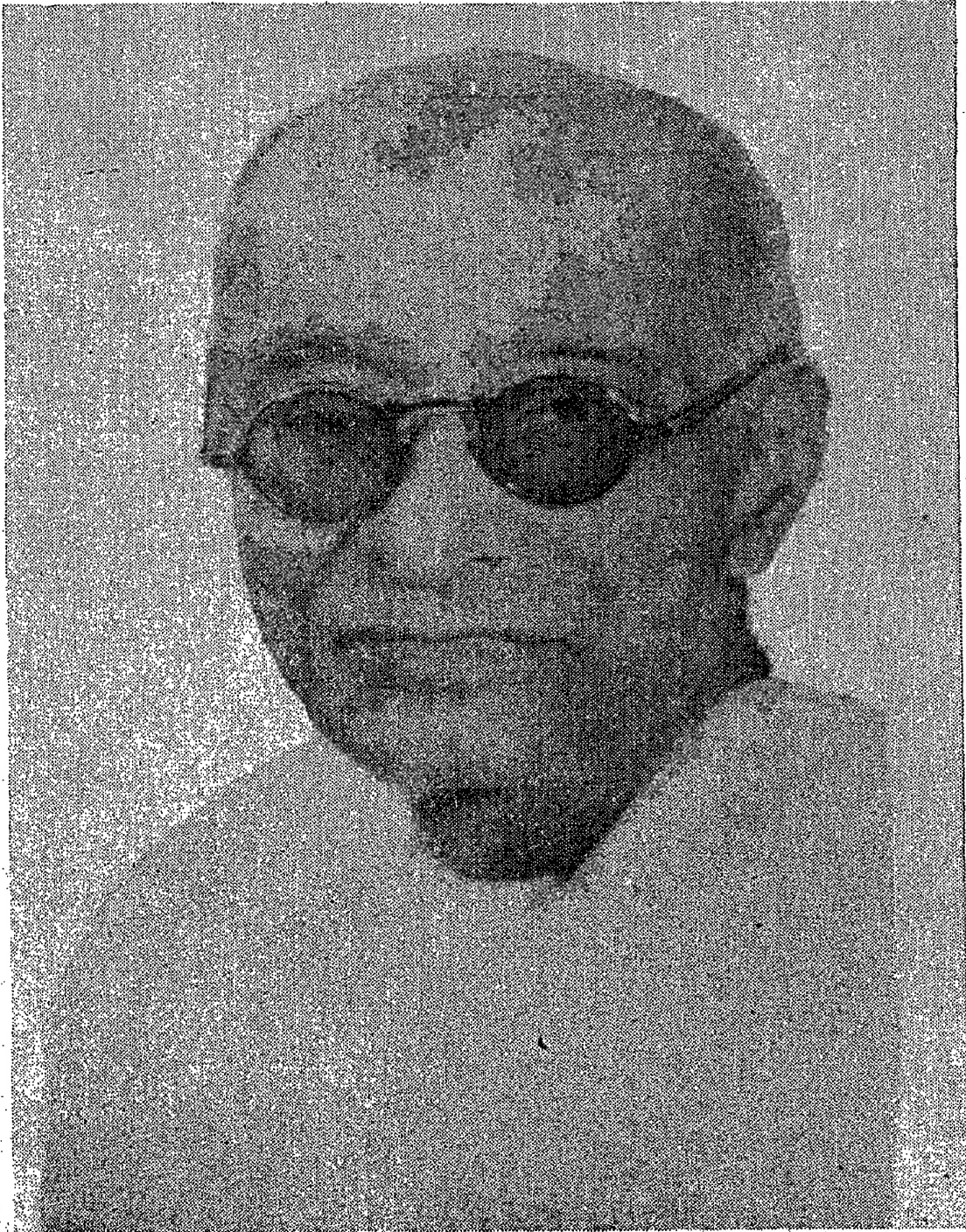


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H.E. SHRI C. RAJAGOPALACHARI, GOVERNOR-GENERAL OF INDIA

The Future of Hyderabad

THE FUTURE OF HYDERABAD : AUTHORISED VOICES FROM WITHIN AND WITHOUT

THE 10TH ALL-INDIA INDUSTRIAL EXHIBITION

THE following is the full Text of the Address presented to His Excellency Shri Chakravarthi Rajagopalachari, Governor-General of India, at the opening of the All-India Industrial Exhibition and the All-India Art Exhibition by Mr. L. N. Gupta, H.C.S., President of the Exhibition Committee and Hyderabad Art Society, on 20th December, 1949, at 5 p. m.

MAY IT PLEASE YOUR EXCELLENCY,

The Hyderabad Industrial Exhibition Committee feel greatly honoured by the visit of Your Excellency to the first All-India Industrial Exhibition that has been organized by it this year. This is the tenth industrial exhibition that is being held in Hyderabad. Till now it was confined to the display of products of Hyderabad industries only. Ten years ago a few energetic young men gifted with imagination developed the idea of organizing an industrial exhibition in Hyderabad and gave concrete shape to it though the resources at their disposal were very meagre. The response from the people and those interested in the economic and industrial development of Hyderabad has been so encouraging that from this humble beginning it has today developed into a full-fledged exhibition of an all-India scale. I must mention with gratefulness the very rich contribution that was made to the success of the exhibition and for sustaining the zeal of the honorary workers by the deep sympathy and gracious patronage showered on it by His Exalted Highness, who took a personal and keen interest in the work of the exhibition. The Exhibition Committee has received immense support and patronage in its task from the Government of Hyderabad and in this connection I must particularly refer to the name of Nawab Zain Yar Jung Bahadur, who has been

throughout a pillar of strength to all of us, and has taken special pains in giving shape and æsthetic touch to this year's exhibition. The distinctive feature of this exhibition has been the all-round help given by it to small manufacturers and craftsmen in order to put them on the path of self-support and increased production. The growing popularity of the exhibition can be gauged from the fact that the number of exhibitors rose from 100 in 1938 to 800 in 1947, while the number of visitors increased from 50,000 to 4 lakhs.

This is the first exhibition that is being held on the dawn of a new Hyderabad, a Hyderabad whose destiny is inseparably linked with the great democracy of India. The domain of a modern state covers all aspects of the life of the people, be it political, economic, social or cultural. It is the duty of the state to build up good citizens and to shape the economic prosperity of the people. In a country like ours, where poverty, ignorance, disease and squalor still reign supreme, the economic aspect has naturally to get the highest priority. We are faced with a stupendous food problem and Your Excellency and the Prime Minister have been appealing earnestly to all concerned to do their best to increase food production in this country and to adopt austerity measures to attain self-sufficiency in food within the next year or two. Attention has also to be paid to long-range problems and to nation-building activities such as introduction of compulsory education, facilities for the education of boys and girls in the mother-tongue and for the expansion of technical and vocational education. The development of irrigation projects and hydro-electric power, exploitation of mineral and other natural resources of the country and the promotion of cottage and large-scale industries demand immediate attention. The basic needs of the people such as housing, clean water-supply, anti-epidemic measures, medical

relief and village communications cannot also be ignored, particularly for the rural areas. Hyderabad has an extensive area with natural resources in abundance which are mostly undeveloped. It is favoured by nature with very good mineral resources and river systems which provide scope for multipurpose projects. It stands first in the production of castor and ranks high in India in the production of cotton, groundnut and other oilseeds and has a surplus production of pulses. If the Tungabhadra and Godavari regional development schemes are completed Hyderabad can play an important role in the economy of India. After the development of these river projects it can provide ample food for the people, abundant raw materials and cheap power for the industrial and rural development. Hyderabad is rich in cottage industries. Its Warangal carpets, beautiful Bidriware, Karimnagar silver filigree works, Nirmal lacquer toys, Aurangabad Himroo, Kagazipura hand-made paper, Sangareddy silk and Maltapalli Khadi are known all over India and even abroad for their exquisite workmanship, and artistic appeal combined with practical utility. Specimens of these handicrafts are displayed in the exhibition and this would help in the revival of these old cottage industries.

The organizers of the present exhibition in their own humble way intend to focus attention on these problems and to give a lead to the agriculturists, the craftsmen and the industrialists to put their shoulders to the wheel in order that the chariot of economic prosperity may move steadily to the goal of material happiness of the people of this sub-continent.

It is difficult to visualize any economic or financial problem relating to Hyderabad detached from similar problems affecting the Indian situation as a whole. Of course, regional problems can and do exist in all provinces and states. The integration of the economic and financial structure of Hyderabad with that of the rest of India is, therefore, a natural corollary of the new democratic set-up in which Hyderabad will consciously realise and attain the position

of an integral unit of India. Obviously most of the existing symbols of isolationism will have to go. The planning for prosperity and economic development can only be conducted on an all-India scale and the units have to fall in line with the common policy and pattern laid down for the welfare of the country as a whole, and Hyderabad cannot, nor do its people, desire to stand aloof. The people of Hyderabad can look forward with confidence to the future set-up in which this State would strive not only for her own prosperity but for the general good of India as a whole, and share equally in that prosperity.

We are fortunate in having leaders of great repute, experience and sterling character at the helm of our affairs. They have risen from the people and through suffering and sacrifice have become the idols of the nation. In their safe hands, this great country of ours is sure to achieve greater and greater glory.

It is a proud and memorable day for all of us that one of the greatest sons of Mother India who today safely steers the ship of state is here to bless our humble enterprise. Your Excellency's contribution to the winning of freedom under the leadership of the Father of the Nation has been of a very high order. Your wisdom, statesmanship and patriotism have won for you the confidence and trust of your colleagues and the love and esteem of the people at large. Your spirit of renunciation, selfless endeavours for the uplift of the down-trodden, your courage of conviction and your simple and unostentatious life embodying the Gandhian ideology of plain-living and high-thinking, are a perennial source of inspiration to the present and future generations. Your Excellency achieved perfection in practising Gandhism as a fine art. We are confident that Your Excellency's visit today would be a source of great inspiration to the promoters of this exhibition and serve as an incentive for greater efforts on their part in the cause dear to their hearts.

Alongside with the Industrial Exhibition, an All-India Exhibition is being held of fine arts sponsored by the Hyderabad Art Society. With Your Excellency's permission I shall try to summarise the history of this Art Society and the work which it has done so far. The Hyderabad Art Society is the result of an All-India Art Exhibition, which was organized eight years ago by a small group of enthusiasts. That exhibition was itself an expression of a keen latent desire to canalize Hyderabad's art talent and present it to the country as well as to present to Hyderabad's artists the best of all-India's art achievement. We had accordingly two separate sections at the exhibition. Later the society organized an Art-in-Industry Exhibition in order to demonstrate the close link necessary between art and industry and how art could really be a handmaid to the industrial achievement. Our next main activity was another All-India Art Exhibition devoted exclusively to fine art, about four years ago. Today our local artists have gained enough experience and confidence not to need a separate section, and we have pleasure in announcing that the Judging Committee have told us that the works of some of our artists compare very favourably with those of all-India's. We are happy to say that there has been a growing consciousness in art among the people during the few years the Hyderabad Art Society has been in existence, and our artists are receiving recognition. The All-India Society of Fine Arts and Crafts, Delhi, which held its exhibition here some months back collected several works of our artists and exhibited at various centres and these works were highly appreciated. A Regional Committee of the All-India Fine Arts and Crafts Society has also been constituted at Hyderabad and efforts are being made to establish a Cultural Centre at Hyderabad to provide an Art Gallery, an open-air theatre and a place for the artists to meet and display the products of their talents.

We take Your Excellency's association with the opening of this exhibition as a gesture of

your good-will for promotion of art and culture in Hyderabad and as a happy augury for the success of our future efforts.

I now request Your Excellency to perform the Opening Ceremony of the All-India Industrial Exhibition and the All-India Art Exhibition and to give us your blessings and advice.

HIS EXCELLENCY SRI C. RAJAGOPALACHARI SAID :

It is a great privilege to be associated with such a beautiful and useful function. The admirable survey of the situation in all the departments and affecting the country as a whole which you have heard from Mr. Gupta is very inspiring and I can add nothing more to what he has said. Hyderabad, he has told us, has begun a new life in that the people have begun to govern themselves. What has happened in India has happened in Hyderabad. India was hitherto governed by the wisdom of other people. Now it has started on the responsible career of depending on the wisdom of her own people. Similarly Hyderabad which had been depending on the wisdom of the Ruler and his Ministers has now started on the responsible career of depending on the wisdom of the people of the country as a whole and of depending for good government on the wisdom and character of the representatives of the people. I can only fulfil my function in wishing Godspeed to this adventure of the people.

SERIOUS RESPONSIBILITY

The natural desire of the people to govern themselves and not to depend on the wisdom of other people has been fulfilled. But the fulfilment of the desire means the beginning of serious responsibility. Do not think that I am merely uttering a trite old sentiment or formula when I tell you, as a practical man, that democratic Government in a state, big or small, will be conducted well or ill only in the measure of the wisdom and character of the individuals that take up that task. If the few millions of people that make up Hyderabad

decide to be wise people and good people in spite of all temptations that may come in their way, the State will be governed well.

You can blame nobody if the State is not governed well hereafter. In the old days rightly or wrongly we could blame other people for our misfortunes or failures. Hereafter we shall only have to blame ourselves if anything goes wrong. Of course, we can play a pleasant game of blaming one another but that will not make for happiness or for better government. It is only if we are good people that the State will be governed well. Do not think that if people yield to temptation or become bad or weak in character any device of government can make that people happy in a democratic state. It is possible that regimented rule by a benevolent autocrat can maintain good government in spite of the bad character of the people but when the Government becomes democratic no device on earth can make the people happy if the people are not good people.

NEED FOR GOOD CHARACTER

His Excellency added: "Knowledge can be attained by reading books or listening to people of experience. Philosophy can be obtained by studying classics of our land but good government cannot be obtained except by the good character of the voters. Democratic Government means Government by voters. If the power-house is not in working order lights in your house will not burn. If the voters go wrong their representatives will not make a good government and the provinces or States cannot be governed well. When the lights go out and the power-house is out of order we can quarrel with one another in the dark but darkness will not disappear and light will not come back until after the power-house is in working order. The press and platform may be full of mutual acrimony but good rule cannot come unless young men and women, grown up men and women all decide to behave justly and properly.

If Hyderabad has attained freedom now it is therefore a great responsibility. By freedom we mean the right to vote and appoint our own Ministers. The presence of a constitutional head does not interfere with the widest form of democracy. England has, in my opinion and in the opinion of a large number of world statesmen, the best form of democracy and it has a constitutional head. If a child is born in that family the whole nation grows mad and the picture of the baby appears in all the illustrated papers in the country. The only thing that interferes with democracy is corruption among voters, bad character among the people and not the presence of temples, mosques or the presence of a constitutional ruler at the head of the State. No mischief comes from rulers but it comes from the people below. I have said so much on an occasion like this in the context of changes that have taken place and promise to take place in the State."

His Excellency proceeding said: "The President of the Exhibition Committee has read to you his views on public affairs more or less in general and I should not pass by them without appreciating what he has said. I have great pleasure in welcoming the determination of the people of the State to improve in all directions the conditions of the State. Nothing is more important than the economic condition of the people. I am glad to tell you that for a long time I have been a silent admirer of the arts and crafts of the people of this State. They have been doing without break, an excellent work quietly extorting the admiration of the people who come and see their work. If only people come here and appreciate the work that is involved in producing these beautiful things by the humble folk I am sure they would realise that those beautiful fingers that worked up these great things are our wealth and not the number of words one can speak in one's own language or in another language. It is essential that these arts and crafts should not be allowed to die out giving way to vulgar and cheap products that are imported from other

countries. Here are things which are your own and you must encourage them. In the present context of democratic change these old saws and adages acquire a new meaning and therefore it is that I have reiterated them."

I thank you all for the honour that you have done me. This casket—when I look at the work that has been done on it—I feel I hardly deserve to receive such a beautiful thing. I feel humble when I see the beautiful art in this casket. I can only deserve it by reciprocating the affection that has been shown to me.

ADDRESS PRESENTED

Earlier, the President of the Exhibition Committee, Mr. L. N. Gupta, presented an address of welcome to His Excellency in a beautiful casket.

REVIEW OF EXHIBITION

The All-India Industrial Exhibition is a unique success and a distinct improvement over the exhibition which was held during December, 1946. Since then the annual feature was abandoned owing to the unsettled conditions in the State.

The exhibition surveys the industrial development all over the country from Kashmir in the north to Cape Comorin in the south and from Bombay in the west to Bengal in the east. The Department of Industries of the Government of West Bengal has taken a stall and exhibits choice specimens of textiles, cotton and silk goods, ivory work, wooden, cloth and plastic work and paper dolls, pottery, leather and leather

goods. Mr. J. C. Roy, Marketing and Publicity Officer of the Government of West Bengal, is in charge of the stall. The Government of Bihar is also represented in the exhibition. The potteries from Gwalior, ivory works from Travancore and embroidery works from Bombay, basket works from Nagpur and handloom products from Kashmir attract public attention. The products of the districts of Hyderabad State have been exhibited giving to the visitors a complete picture of the art and craft outturn and potentialities of the State. The Departments of Printing, Resettlement and Employment Exchange, Fisheries, Information and Public Relations, Civil, Veterinary, Unani, Medical, Food, Rationing, Technical and Vocational Education, Jails, Agriculture and Co-operation, Customs, Electricity, Commerce and Industries, Osmania University, Mining and Metallurgy, State Railway, Broadcasting and Public Health of the Government of Hyderabad are represented in the exhibition. The Hyderabad State Bank and various industrial concerns in the State have also booked their space. The chief attraction is the All-India Art and Crafts Exhibition sponsored by the Hyderabad Arts Society, the first of its kind from the point of view of both quality and quantity. The judges had set before themselves a high standard of excellence in the selection of exhibits and they had to reject about 400 exhibits that had been entered. The Eastern style and Western style of composition, still life, landscape, sculpture, painting and photography form part of the exhibits.

Diary of Events of Economic Interest

August, 1949

- 1 Indian Central Tea Board inaugurated in Calcutta.
Indian Posts and Telegraphs Expert Committee recommended 14-hour week for postal employees.
The two-day session of the Provincial and State Food Ministers' Conference was inaugurated in New Delhi by Mr. Jairamdas Daulatram, Minister for Food and Agriculture, Government of India.
The 11th annual meeting of the British Association for the advancement of Science opened at Newcastle-on-Tyne.
U. S. exporters offered wheat to the 19 participating countries of International Wheat Pact at price below current U. S. market price.
- 3 Indian Export Promotion Committee met in Bombay.
The Government of India decided to ban the use of opium except for medical purposes.
- 4 Government of India announced free export of jute goods to hard currency areas.
Terms of new Indo-British Sterling Pact gave India larger releases.
- 5 The Government of India appointed a three-man Committee to prepare a report on the national income of India.
The Government of India established an Aviation Medicine Research Centre at the Hindustan Aircraft Limited, Bombay.
Anglo-Pakistan sterling agreement signed in London.
Pandit Nehru, in a broadcast, appealed to the Nation to help to increase food production in the country.
- 6 East-West Punjab Canal disputes concluded without any definite agreement.
The first annual report of the British Transport Commission published.
- 8 Mr. Jairamdas Daulatram, Food and Agriculture Minister, Government of India, addressing the Executive Committee of the Indian Co-operative Union suggested a three-year plan of action for developing multi-purpose co-operatives in the villages of India.
- 9 The first International Parliament was inaugurated in the city of Strashurg.
The opening sessions of the eighty-first annual Trade Union Congress were held at Bridlington.
France agreed to transfer Chandernagore to India.
- 12 An Agreement was reached by the delegates of the United States, Britain and Canada on a 10-point programme.
- 14 The first report of the British Road Research Board was published.
- 15 The Hyderabad Government decided to take over the administration of Jagirs in the State.

- 17 Income-tax Enquiry Committee submitted its report to the Government of India.
- 18 World Bank granted \$ 400 million loan to India for reconstruction and development of railways.
Mr. K. N. Paul appointed Indian Trade Commissioner in London.
Indian Fiscal Commission held its second session in New Delhi.
- 19 Government of India decided to allow textile mills to dispose of surplus stocks of cloth.
Indian University Commission recommended English to be retained as medium of instruction in Indian Universities.
- 20 Sri B. Rama Rao, Governor of Reserve Bank of India, appointed a Governor of World Bank.
- 21 Indian Council for Cultural Co-operation between India and other countries inaugurated in New Delhi.
- 22 Anglo-Ceylon sterling balances agreement published in London.
- 23 Round Table Conference on Indonesia began in Hague.
- 24 U. S. Secretary of the Treasury expressed opposition to increase the dollar value of gold.
North Atlantic Pact came into effect.
- 27 U.N.'s 1950 Budget placed at 39.3 million.
- 28 Pandit Nehru stated in Cawnpur that Government of India will not rescind rationing for some years.
World Bank sent a five-man mission to Turkey.
- 30 Yugoslavia applied to World Bank for loan.

September, 1949

- 1 Hon'ble Mr. D. S. Bakhle, Chief Civil Administrator of Hyderabad, inaugurated the Radio-telephone system in the State.
The Government of India announced a 6-point measure to reduce sugar prices in the country.
The Government of India appointed a Film Inquiry Committee.
The Madras Government appointed an actuary to work a scheme of provident fund-cum-pension insurance for the benefit of Government servants.
- 2 The Government of India gave directive to Provinces to reduce expenditure.
The Madras Government sanctioned the opening of 21 combined medical and public health centres in the Province.
- 3 The world's largest civil airliner, the 130-ton Bristol Brabazon, made its maiden flight.
The United Nations Food and Agricultural Organisation announced international allocations of rice to end in December, 1949.

The 12-nation "Parliament of Europe," decided to restore the inter-convertibility of European currencies.

The Government of India freezed sugar.

4 The Indo-Polish Trade Agreement signed in New Delhi.

The United States Secretary of Treasury, Mr. John Snyder, appealed to foreign Governments to clear obstacles to the investment of American capital in under-developed areas.

5 Indo-Australian Trade Agreement signed at Canberra.

The 81st Annual British Trade Union Congress opened in Bridlington.

7 Madras Government took over 83 Zamins under the Zamindari Abolition.

Dollar talks opened in Washington.

Britain made a trade deal with Moscow for 1,000,000 tons of Russian grain.

8 The Government of India decided to constitute an All-India Council of post-graduate medical education.

The Government of India decided not to export sugar from the current year's stocks.

The French Government decided to lower customs duties on textile imports.

The United States Export-Import Bank announced a 20-million dollars credit to Yugoslavia.

10 A Conference of actuaries, livestock and agricultural experts held in Bombay to draw up a pilot scheme on Crop and Cattle Insurance.

The American-British-Canadian financial conference adopted a programme to encourage investment of American capital in the Sterling area.

13 The Government of Hyderabad appointed a Labour Advisory Committee on tri-partite basis.

14 Indian Constituent Assembly decided Hindi to be State language with the retention of English for 15 years.

15 Transfer of Hyderabad Jagirs to Government began.

17 Sterling devalued by 30.5 per cent.

20 Pandit Nehru explained Government's decision on devaluation.

Pakistan decided not to devalue her rupee.

21 The Soviet State Bank for Foreign Trade established a new exchange rate of 14.84 Roubles to the pound sterling. (A reduction of 30 per cent.).

23 M. Vyshinsky called on U. N. to ban atomic weapons while U. S. President disclosed recent atom explosion in Russia.

27 Delhi talks on export-import policy concluded.

28 The first Indo-Austrian Trade Agreement signed at Vienna.

The Government of India decided to control the export of Zircon.

The International Motor Show opened in London.

President Truman signed a Bill to create a Memorial in Washington to Mahatma Gandhi.

The Government of Burma and the United States signed a reciprocal bilateral Air Transport Agreement.

29

The World Bank granted a ten-million dollar loan to India to improve Agricultural production.

October, 1949

1

The Governor-General of India launched a new drive for small savings.

The Government of Bombay decided to put a stamp duty on oilseeds transactions.

2

Japanese Government decided to cut cotton prices by 34½ per cent.

The Government of India formed a Standing Committee to review industrial production.

3

The Hyderabad Government promulgated the New Grain Levy Order.

5

Pandit Nehru called for voluntary declaration of undisclosed war-time profits.

Mr. John Mathai, India's Finance Minister, opened rupee devaluation debate in Parliament.

Rajasthan, Vinayya Pradesh, Pepsu and Mysore signed fiscal integration agreements with Centre.

6

Indian Parliament approved rupee devaluation.

U. K. announced repayment of £ 319 million sterling balances in first year of Marshall Aid.

7

Pandit Nehru left for U.S.A.

Reserve Bank of India decided to sell gold and silver.

8

The Government of India decided to appoint a Committee for constitution of State foreign trade organisation.

9

General Council of Indian National Trade Union Congress met in Lucknow.

Food Ministers in Delhi discussed food price cuts.

9

Cotton Conference in Delhi discussed purchases from Pakistan.

The Government of India announced ceiling prices for jute exports.

New tariff lists were announced after Annecy Conference.

10

Central Textile Advisory Committee in Delhi proposed a 10 per cent. textile prices cut.

F. A. O. announced plans to increase Far East Cereal production.

12

The Government of India announced new prices for pig-iron.

Mica Advisory Committee met in Calcutta.

Major-General J. N. Chaudhuri, Military Governor of Hyderabad, inaugurated the first All-Hyderabad Medical Conference.

13

Pandit Nehru addressed U. S. Congress.

- Attlee decided against General Election in Britain this year.
 Nobel Prize awarded to Lord Boyd Orr.
- 14 Central Cotton Committee met in Bombay.
 Government of Bombay banned forward trading in cotton seed and ground-nut.
- 15 General MacArthur announced decision not to devalue Japanese Yen.
- 17 Pakistan removed 33 items from tariff exemption list for Indian goods.
 Belgium and Switzerland decided to restore material free trade and currency convertibility.
- 18 Government of India appointed a Committee to study devaluation effects.
 India decided to recruit Japanese technicians to develop cottage industries.
 Government of India appointed an *ad hoc* tribunal to adjudicate in banking disputes.
- 20 Indo-Philippine Air Pact signed.
 Ceylon delegation arrived in New Delhi for trade talks.
 President Truman announced expansion of U. S. atomic energy programme.
- 24 Shipping Rates Advisory Board met in Bombay.
 Mr. Attlee announced cut in British Expenditure.
- 25 Government of India announced Rs. 80 crores cut in capital budget for 1950-51.
 Asian Nations pledged support to Co-operation at F. A. O. Conference, Lucknow.
 Indo-Ceylonese Trade Agreement reached.
 U. P. Government decided to lift sales-tax on jute.
 Ceylon decided to restrict non-essential dollar imports.
 U. K. decided to lift tin price control.
- 26 Government of India decided to increase prices for petrol and kerosene.
 South Africa asked India and Pakistan to lift trade embargo.
- 27 Government of India fixed maximum price for sugar.
- 28 Government of India decided to cut prices of cloth and food.
- 29 Pandit Nehru visited Tennessee valley.
- 30 Nizam allowed a privy purse of 1 crore per annum.
- November, 1949
- 1 The Hyderabad Government fixed maximum retail prices for certain imported medicines.
 The Government of Hyderabad published the Hyderabad Paper Currency Rules of 1859 F.
 Sardar Vallabhbhai Patel, the Acting Prime Minister of India, addressing the National Club, appealed for co-operative effort to increase India's production.

Mr. Jairamdas Daulatram, India's Food and Agricultural Minister, inaugurated the International Training Centre on Census and Statistics in New Delhi.

The rupees six and half crores Tapti Irrigation Scheme was inaugurated.

Government of India decided to give revenue concessions to sugar factories to maximise production.

The draft constitution of the United States of Indonesia signed at the Hague. S.C.A.P. talks on imports from Japan began in Delhi.

The first annual report of the Overseas Food Corporation was published.

2 The Government of Hyderabad sanctioned a scheme to develop palm-gur manufacture in the State.

The Indian Congress Agrarian Reform proposals announced.

The Seminar on Rural Adult Education in Asia organised by the U.N.E.S.C.O. opened its session in Mysore.

Britains' Far-East expert's conference opened in Singapore.

3 The Agrarian Reforms Committee set up by the Government of Hyderabad submitted its report to the Government.

The annual meetings of the Scientific and Commodity Committees of the Advisory Board of the Indian Council of Agricultural Research began in New Delhi.

The Government of India banned forward contracts in cotton seed.

The International Labour Organisation proposed world action to assure equal pay for women.

Damodar Valley budget cuts discussed in New Delhi.

4 The New French Ministry decided to grant a bonus to the lowest paid wage-earners.

U.S.A. placed rigid controls on shipment of "strategic" goods.

5 India refused Pak wheat.

Indian sugar stocks control order published.

The Fifth Session of the Economic Commission for Asia and the Far East terminated.

5 The 27th International Co-operative Day.

Major-General Chaudhuri, Military Governor of Hyderabad, laid the foundation-stone of the Central Laboratory for Scientific and Industrial Research.

The Hyderabad Government banned the import of white-oils into the State.

6 Mr. Shyam Prasad Mukherjee, India's Supply Minister, announced machine tool factory for Bangalore and steel plant for C.P.

7 The Government of Madras decided to drop the Advertisement Tax Bill.

Dutch and Yugoslav negotiated \$. 18,000,000 trade agreement in Belgrade.

Franco-Pakistani Trade Agreement concluded.

Moscow celebrated the 32nd Anniversary of the Bolshevik Revolution.

Brussels Treaty Powers signed Social Security Pact.

- 8 The Hyderabad Government abolished *Eksala* cultivation in the State.
- The Government of India accepted the recommendations of the Export Promotion Committee.
- The Big Three Foreign Ministers met at Paris to discuss West German problem.
- 9 The Hyderabad Government banned the export of tamarind, chillies, onion and ghee outside the State.
- The Government of India decided to increase import of kerosene oil.
- The Government of Bihar reduced sales-tax on tea exports.
- 10 The net profits of the Hyderabad State Bank were published.
- Japanese-Pakistani Trade Pact agreed.
- 11 The Government of India decided to enforce a Compulsory Savings Scheme for Government servants drawing above Rs. 200 per month.
- The Reserve Bank of India suspended gold sales.
- Pak and Denmark signed a bilateral Air Transport Agreement in Karachi.
- Bevin-Acheson-Schuman Talks ended in Paris.
- 12 Major-General J. N. Chaudhuri, Military Governor of Hyderabad, inaugurated the special session of Central Committee of the All-India Manufacturers' Organisation at the Osmania University.
- The Government of India decided to remove more export controls.
- 13 The Hyderabad Government set up a Co-ordination Committee for allocation and control of iron and steel and cement and coal.
- Mr. John Mathai, India's Finance Minister, announced plans to achieve economic stability.
- 15 The Government of India sanctioned West Bengal rehabilitation scheme.
- 16 The Government of India decided to allow imports of hides and skins without licence.
- Pakistan Development Board met in Karachi.
- 17 The Government of India decided to discontinue State Trading in tin.
- U. N. approved plan to aid under-developed areas.
- 19 Nawab Zain Yar Jung Bahadur, P.W.D. Member of the Hyderabad Government, announced a State Farming Scheme for Hyderabad.
- The Government of India raised the export duty on raw cotton from Rs. 40 to Rs. 100 per bale.
- Indian Devaluation Committee met in Delhi.
- 20 The Hyderabad Government relaxed the ban on the export of oil-cakes.
- 21 The Government of India announced tax exemption concessions for extra sugar output.

The Government of India raised the prices of Mica and Manganese to pre-devaluation dollar level.

Australian Wheat "Ultimatum" to India and Britain.

F.A.O. Annual Conference began in Washington.

22

The Government of India decided to set up an atomic plant.

23

The Government of India announced a six to seven per cent. cut in coal prices.

The Government of India announced 1950 production targets.

24

The Nizam signed the Instrument of Accession to the Indian Union.

25

U.S. Export-Import Bank announced 1950 production targets.

26

Islamic Economic Conference met in Karachi.

27

India reached a wheat agreement with Argentina.

29

World Labour Union met in England.

Editorial Notes

IMMEDIATE EFFECTS OF DEVALUATION ON INTERNATIONAL TRADE IN GENERAL AND INDIAN ECONOMIC CONDITIONS IN PARTICULAR

Two clear months have passed after devaluation—October and November 1949. The Chancellor of the Exchequer in Britain, the Finance Minister at New Delhi and the Managing Director of the Hyderabad State Bank—all agreed in saying that they could not say anything about the after-effects of devaluation. But two months are a fairly sufficient basis to make a study of this problem. Theories and hopes apart, the following features are conspicuous in different parts of post-devaluation world :—

(a) There is comparatively speaking a lower sense of security, leading to commodity hoarding by consumers lest prices should rise in the future. This must, if anything, worsen the worries of cuts and queues. A cartoon from

the *New York Times* is reproduced below :
'GHOST RIDERS IN THE SKY'



Butterworth in The Manchester Daily Dispatch

The table given below shows how weekly sales rose from 120 in September to 132 in October :

SALES PER WEEK

Period	Apparel		Household goods		Non-food merchandise		Food		Total	
	1948	1949	1948	1949	1948	1949	1948	1949	1948	1949
January	86	110	96	97	92	106	96	104	94	104
February	85	114	108	104	98	109	107	115	101	112
March	125	132	103	105	113	118	112	120	112	119
April	114	152	107	106	110	130	109	117	110	123
May	124	155	101	124	113	137	112	122	113	128
June	124	138	102	105	115	125	114	123	114	124
July	120	133	101	114	114	127	114	123	114	124
August	113	110	96	105	109	110	111	119	110	115
September	131	131	107	121	114	118	112	120	113	120
October	142	168	117	148	125	144	112	122	118	132
November	143	..	125	..	133	..	114	..	122	..
December	162	..	129	..	163	..	130	..	145	..
Yearly average	123	..	107	..	116	..	112	..	114	..

(b) Costs of production in the United States are rising on account of the domestic circumstances, and this has intensified the dollar problem of non-dollar areas, the United States occupying a monopolistic or a semi-monopolistic position with regard to numerous essential commodities of international importance. During October, imports rose to \$558.6 million from \$529.9 million in September, and exports fell from \$904.4 million to \$848.5 million, and while the slight increase in exports may be attributed to devaluation, the diminution in exports

was mainly due to rising domestic costs. And in the colossal scales of the American balance of payments, these slight changes practically amount to nothing.

(c) The multiple combination—military and economic—as among the European Powers has made the problem of European recovery, much less popular in the United States. “How to melt and dynamite the economic ice-berg?” is the headache of Paul Hoffman as shown in the picture below:—

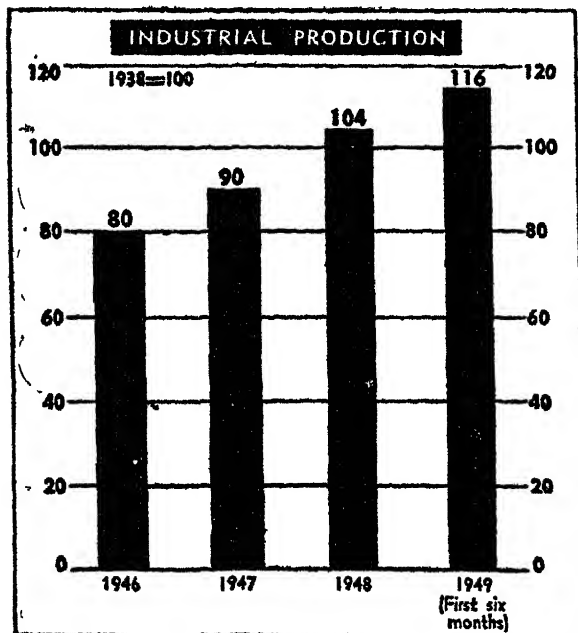


Paul Hoffman: How to melt and dynamite the European economic iceberg.

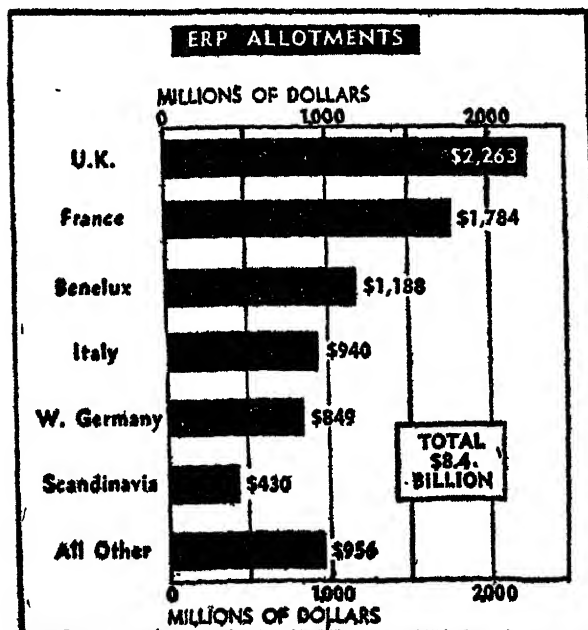
Two cartoons from the New York Times—"A. B. C. of E. C. A.'s problem" and "A two crutch job"—further reveal Hoffman's headache.

"Economic Unions vs. Marshall Plan X Road to Recovery."

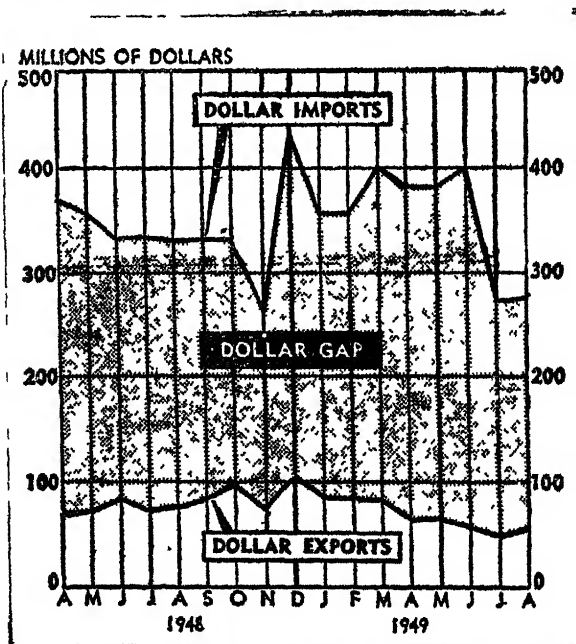
"A B C OF E. C. A.'s PROBLEM"



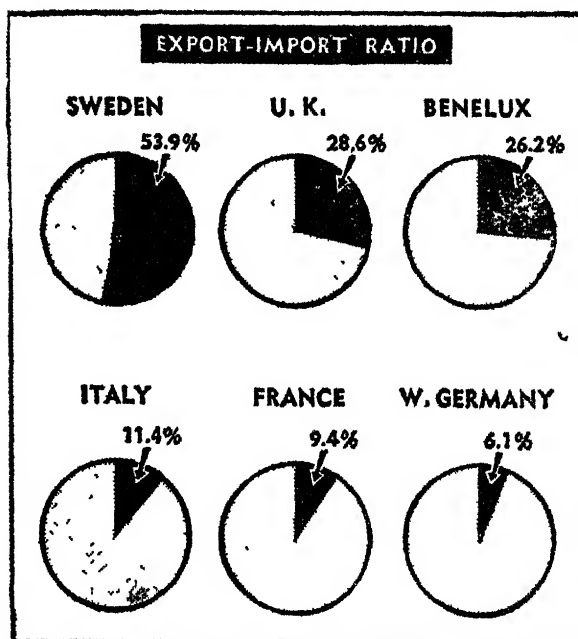
This performance has largely been made possible by American funds. Since ERP's inception in 1948, some \$8.4 billion has been allotted, as this chart shows:



The second phase of the program, as Mr. Hoffman has made clear, is the all-important task of closing up the dollar gap by the end of 1952. This is the dollar gap:



Europe must sell more to, and buy less from, the U. S. This chart shows how small a proportion of American goods is being paid for with exports to U. S. in 1949:



To correct this imbalance, U. S. says, Europe needs to lower its trade barriers. This map shows the barriers in part of Europe against a comparable area of U. S.:



(d) Logically speaking, the Britisher must get 44 per cent. higher prices in terms of sterling, provided dollar prices continued as before. But the actual state of affairs is different. There is an unmistakable tendency on the part of U.S. importers to expect that British exporters will continue to receive the same number of pounds as before, involving smaller quantities of dollars: in any case Americans are not prepared to allow the whole advantage to be reaped by the devalued currency countries only.

(e) There is an unmistakable tendency for wholesale prices and the cost of living to rise in the non-dollar areas, and this must affect adversely the volume and value of exports, the situation in this case being competitive.

BRITAIN

We may now deal briefly with individual countries. The prospect before Britain is by no means encouraging. The Sterling Pound rate is being quoted at \$ 2.42 in the New York market and a further decline is expected. In Switzerland, the Sterling Pound rate is quoted at 10.85 francs in the free market, at about 13 per cent. discount. Sterling Gilt-edged Securities

'A TWO-CRUTCH JOB'



Somerville in The Denver Post

are given a cross-rate of \$1.50, but industrial yield about \$2.00: the general expectation of the U.S. investor is between $3\frac{1}{2}$ per cent. and 4 per cent. on Sterling securities. On transferable Sterling, the New York rate is between 2.55 and 2.60, the reason being that such transferability is being maintained by the British Government on a bilateral basis only and not multilateral. Of course, American Sterling is maintaining at the official rate of 2.80.

The wholesale prices and the cost of living in Britain cause much concern. In November 1949, wholesale prices in Britain rose to 239.7, 1.3 higher than the index for October 1949. Details are given in the following table:—

	Index No.		Percentage change Compared with		
	Nov. 1949	Oct. 1949	Nov. 1948	Year 1938	
Cereals ..	..227.1	+0.3	+	29.2	+106.6
Meat, fish and eggs	..169.5	*	+	22.9	+97.8
Other food & tobacco	..240.3	+3.3	+	7.7	+146.4
Total—food tobacco	..213.3	+1.4	+	18.1	+119.3
Coal ..	..305.3	*	+	1.2	+147.9
Iron and steel	..258.1	+0.1	+	9.0	+85.6
Non-ferrous metals	..283.2	+2.1	+	8.8	+199.9
Cotton ..	..351.3	+2.5	+	18.1	+320.1
Wool ..	..338.2	+6.6	+	20.3	+283.4
Other textiles	..174.4	+0.4	+	2.5	+153.3

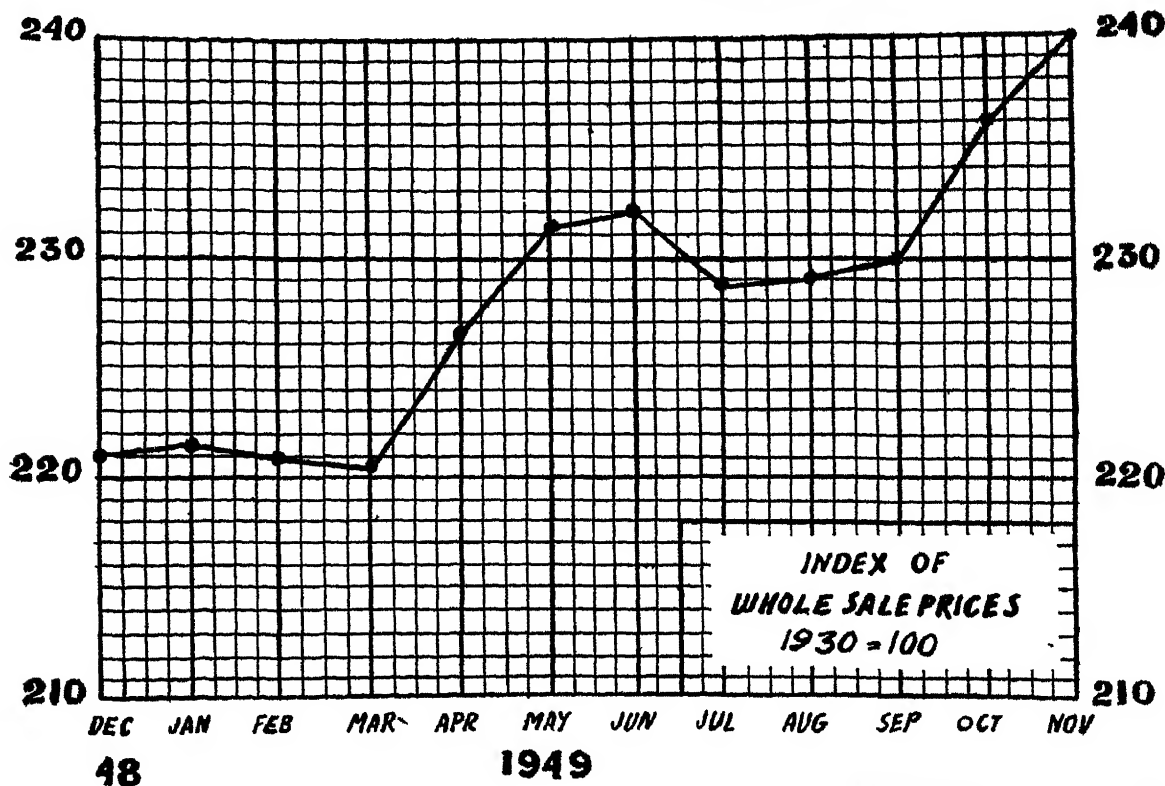
GROUP

*Industrial materials
excl. fuel):—*

Chemicals & oils	96 + 2.4 + 1.5 + 107.0
Miscellaneous	..248.6 + 0.2 - 8.2 + 161.3
Total—Industrial materials and manufactures	..254. + 1.2 + 4.1 + 145.5
Total—All articles	..289.7 + 1.8 + 8.7 + 186.3

Basic materials	..296.5 + 1.7 - 1.6 + 219.3
Intermediate products	..269.1 + 1.1 + 7.3 + 157.6
Manufactured articles	..226.4 + 0.5 + 5.9 + 102.0
Building Materials	..225.9 - 0.4 + 1.7 + 117.1

* No appreciable change.

*Financial Times, Dec 10th, 1949*

There was a rise of 9 per cent. in sterling prices of imports but practically no change in export prices. It is the opinion in many commercial quarters that matters will further deteriorate in the coming months. During October 1949, the food index rose by 2.2 to 119 (base—June 17, 1947), clothing went down from 119.1 to 116.8, but the net effect was a rise from 111.7 in September to 112.3 in October. The retail prices of bread rose by 28 per cent. The Cambridge and Oxford Economic Review expects that the cost of living index will very soon go up from 112 to 115½ and a rise to 118 is by no means impossible.

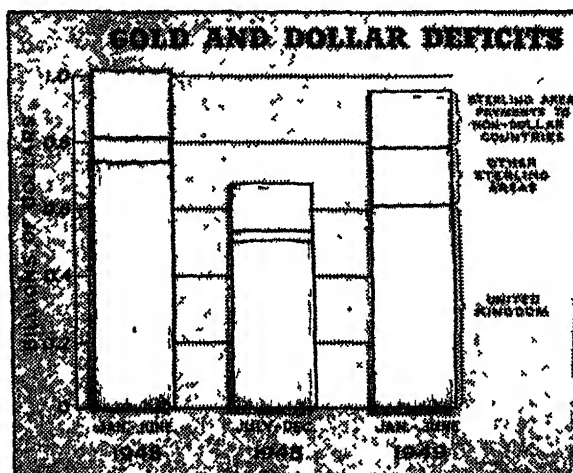
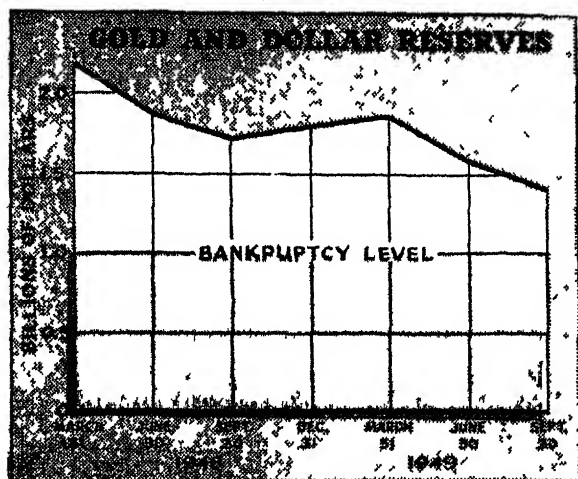
Mr. Julian Crossley, Chairman of Barclay's Bank, expects that higher costs of production at home must reduce exports, and "while the world is not at all happy about the future of the £ at 2.80," he thinks that the present devaluation is a criterion of the mass calculation by the British Government. He is a believer in the interaction of the force and demand and feels that the £ should have been left to find its own level at least for some time before trying to peg it at any particular rate. He also feels that by allowing allocations to transferable accounts and making transferable accounts multilateral, the £ would have better chance of maintaining itself in terms

of other currencies. In ultimate analysis, the future depends on the policy pursued with regard to production and spending, a tax and a wage structure which will provide adequate incentives. Several suggestions are made in Britain with a view to stimulate incentives for dollar earnings. For example, it is suggested that as in the case of Holland and Austria a percentage of dollars earned by exporters may be allowed to them for free use, 10 per cent. of such dollar earnings is suggested for each exporter. In Holland 10 per cent. of the dollar profits made on account of the export trade is allowed to the exporter. In Austria, 60 per cent. of dollar earnings is allowed to the exporter for utilisation in imports from hard currency areas or for sale in the free market. The balance of 40 per cent. must be sold at the official rate to the National Bank. The basic rate is 40.32 shillings per £ and the free rate is 59.80. Another suggestion is that British agents in the dollar areas may be allowed to export to Sterling areas 20 per cent. of their total business without licences. But all such suggestions are still in the academic stage and the British Government does not appear to be in a hurry to consider them seriously. The situation in Britain may be summed up in the following words of the *Economist* :

“ One of the justifications for the devaluation of sterling would have been a “ loosening up ” of this cumbrous system of control. In fact,

events have moved in the other direction. Intellectually and emotionally, the Treasury is still living in the panic of 1947. It is still wedded to the theory that Britain must first re-establish equilibrium in each of its multitudinous bilateral balances of payments and that only when that is assured can it trust itself to move towards greater convertibility of sterling. In all financial negotiations undertaken by Britain since the devaluation, the attitude of its representatives has been even more fearful, defensive and restrictive than it was before September 18th. Is it any wonder, then, that foreign opinion is convinced that the position of Sterling has been weakened and not strengthened by devaluation? This attitude must be reversed. Britain's financial authorities would be better employed exploring how far exchange control can be dismantled than in offering tax-free rewards to informers about exchange control offences. The results in restoring foreign confidence in sterling and removing the discounts at which, commercial sterling is quoted abroad, would probably surprise them. ”

The two charts reproduced below from the *News Week* show respectively how near Britain is from the bankruptcy level, and how she is contributing towards gold and dollar deficits, much more as a proprietor than as a banker of the sterling area.



The charts show Sterling-area reserve and division of deficits (at predevaluation pound-dollar rates).

The United States view about the "much made of austerity" in Britain through declarations and press interviews, and not followed by reductions in consumption, is reflected in the cartoon reproduced below from the *News Week* :



Cummings—London Daily Express

A Tory cartoonist jeers at Attlee's timid cuts

INDIA

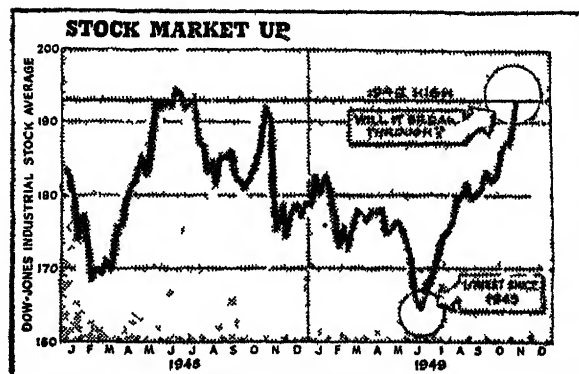
In India, the situation is no better. Indian exports to the U.S.A. in October were higher than in September in rupee value but less by about dollars one million in dollar value on

account of the fact that 3.30 rupees were equivalent to \$. 1, the present ratio is Rs. 1 725 per dollar. The behaviour of the index of stocks and shares in India during September, October and November, 1949 is definitely a symbol of oncoming depression.

INDEX OF INDIAN STOCKS AND SHARES

Item	September 1949	October 1949	November 1949
Government Securities	105.7	105.6	105.9
Preference Shares	102.5	101.2	101.1
Variable Yield Securities	182.7	169.2	174.0

November shows slight improvement than October but financial circles do not expect any upward trend. On the other hand, the trend of the stock index in the United States is on the rise as shown in the chart below :



How Stock prices have climbed persistently, ignoring the down-trend.

Wholesale prices rose from 389.8 in September to 393.3 in October and stood at 390.4 in November. It is too soon to judge from the numerous cost of living indices maintained in different parts of India and published after several weeks. In the meanwhile, complaint against low Indian business effects is becoming louder in the United States. The United States' correspondent of an Indian daily recently said: "India may lose the dollar market completely in the next 12 months." He thinks that American importers of Indian goods are virtually on strike, the reason being that samples and deliveries vary widely.

The situation in India has become more complicated on account of the lack of co-ordination as among import policy, monetary policy and development policy: all the three have become much more complex as a result of the devaluation of the rupee.

THE DEVALUATION PICTURE

The table below shows the latest position with regard to exchange rates of different currencies of the world:

WORLD EXCHANGE RATES

(1) Currencies in step with Sterling (80½ per cent. Devaluation) The following countries have devalued by 30½ per cent against the dollar and thus have maintained parity with Sterling. Their new dollar values are as follows.—

	Old Dollar value	New Dollar value
U. K	\$ 4 03 to £	\$ 2 80 to £
S Africa	\$ 4 03 to £	\$ 2 80 to £
Australia	\$ 3 22 to £	\$ 2 24 to £
N Zealand	\$ 4 03 to £	\$ 2 80 to £
India†	30 225 c to rupee	21 c to rupee
Ceylon	30 225 c to rupee	21 c to rupee
Burma	30 225 c to rupee	21 c to rupee
Eire	\$4 03 to £	\$ 2 80 to £
Iraq	\$1 03 to dinar	\$ 2 80 to dinar
Egypt .	\$4 133 to £E.	\$ 2 871 to £ E.
Iceland	6 505 kr to \$	9 365 kr to \$
Israel	\$ 1 to £ 1	\$ 2 80 to £ 1
Holland	2 65 glds. to \$	3 80 glds. to \$
Denmark	Kr 4 79901 to \$	Kr 6 90714 to \$
Finland	160 marks to \$	230 marks to \$
Norway	Kr. 4 96278 to \$	Kr. 7 142 86 to \$
Sweden	3 60 crowns to \$	5 18 crowns to \$
Greece	No fixed value	15,000 drachma to \$

† Equivalent to 30 1 per cent. devaluation against the dollar

* French and Portuguese possessions in India have also devalued by 30½ per cent. against the dollar

* Cost of living indices for September and October 1949. at several centres in India are

given below :

Centre	September 1949	October 1949
Bombay ..	306	307
Ahmedabad ..	252	250
Sholapur ..	295	299
Kanpur ..	484	404
Madras ..	320	323
Ajmer .	157	160
Hyderabad ..	148	150
Warangal ..	157	158
Nizamabad ..	182	173
Nanded ..	258	255
Aurangabad ..	170	199
Gulbarga ..	146	152

(2) CURRENCIES DEVALUED BY LESS THAN 80½ PER CENT.

The table shows the extent of the fall in dollar value in each case, and the residual effective depreciation of sterling in terms of each currency.

[Statement,

	Old Dollar Value	New Dollar Value	Devaluation against Dollar	Old Sterling Value	New Sterling Value	Effective Depreciation of Sterling
			Per cent.			Per cent.
Canada ..	Par to US	\$ 1.10½ Can. to U.S. \$	9.8	\$4.08 to £	\$ 3.08 to £	23.6
Belgium ..	48.88 fcs to \$	50 fcs to \$	12.8	176 fcs to £	140 fcs to £	20.1
France ..	330 fcs to \$ (free rate) 272 fcs to \$ (com. rate).	350 fcs to \$	5.6 22.2	1093 fcs to £	980 fcs to £	10.7
Italy*	575 lire to \$	626 lire to \$	8.1	2317 lire to £	1755 lire to £	23.5
Portugal ..	24.95 Esc. to \$	28.75 Esc. to \$	13.8	100.60 Esc. to £	80.50 Esc. to £	20.0
Siam ..	10.0 ticals to \$	12.5 ticals to \$	20.0	40 ticals to £	35 ticals to £	12.5
W. Germany ..	3.333 marks to \$	4.202 marks to \$	20.7	13.43 marks to £	11.76 marks to £	11.8

* Italian rate liable to daily fluctuation.

(3) CURRENCIES WHOSE DOLLAR VALUE REMAINS UNCHANGED

In each of these cases the Dollar rates are

unchanged, and the depreciation of Sterling against the currencies concerned is the full 30.5 per cent.

(3) CURRENCIES WHOSE DOLLAR VALUE REMAINS UNCHANGED

Austria	Ecuador	Liberia	Salvador
Bolivia	Ethiopia	Nicaragua	Switzerland
Brazil	Fr. Somaliland*	Panama	Syria
British Honduras*	Guatemala	Paraguay	Tangier
Colombia	Haiti	Pakistan	Turkey
Costa Rica	Honduras	Peru	United States
Cuba	Hungary	Philippines	U.S.S.R.
Czechoslovakia	Iran	Poland	Venezuela
Dom. Republic	Japan	Puerto Rico	Yugoslavia
Dutch W. Indies*	Lebanon	Rumania	

* These territories have not devalued *pari passu* with other members of their respective Colonial groups.

(4) CURRENCIES WITH MULTIPLE EXCHANGE RATES

The following countries, all of which have nominally maintained the basic dollar values of their currencies have made, or are understood to be making alteration in their system of multiple exchange rates :

Argentina Chile Spain Uruguay

ARGENTINE

The countries shown at the bottom of the table have resorted to multiple currency practice, but the charge cannot be denied by Britain that she is also doing it by maintaining numerous accounts

of Sterling. Argentine is maintaining "flexible and realistic" prices based on multiple currency practices as shown in the table below :

PESO BUYING RATES FOR EXPORT EXCHANGES

Sterling (pesos per pound)		Rate category	Dollars (pesos per 100 U. S.)	
Prior to Sept. 19, 1949	Since Oct. 3, 1949		Prior to Sept. 19, 1949	Since Oct. 3, 1949
13.54	9.40	Basic	335.82	335.82
16.04	13.53	Pref. "A"	398.01	183.21
	16.04	Pref. "B"		372.86
20.15	20.15	Special	500	719.61

Export prices are not made known, and Great Britain, her usual customer, is out of the picture.

ITALY

The position in Italy is reviewed by a correspondent of the *Financial Times* in a recent issue. During the last 18 months Italy accumulated a considerable amount of dollar purchasing power through insisting on imports from dollar areas only on the basis of licences issued, the unused dollar credits having been accumulated in the National Bank. Soon after September 18, 1949, the Government sold a mentionable amount of dollars in the black market with the result that the Lira did not go down in the free market so much as was expected: the free rate was 632. At a later stage, it even went down to 624 on account of the many speculators who had purchased dollars in anticipation of a big devaluation, having had to resell, having been disappointed. Thus, the extent of devaluation in the free market has been only to the extent of about 10 per cent. The present dollar-sterling cross-rate agreement between Italy and Britain will expire on December 31, 1949, and it is likely that this agreement may be abrogated with the consent of Britain. Were sterling to be unpegged now in Italy, its rate would be kept above that resulting from the cross-rate and therefore no losses would be incurred by Britain.

PAKISTAN

There is a deadlock between Pakistan and India on account of the different roads pursued by each of them, and at least a month or two would have to be allowed for the situation to crystallize—either by compromise or by Pakistan sticking to its non-devaluation.

DEVALUATION AND GOLD MINING

The effect of devaluation on gold mining has on the whole been heartening. A higher price for gold led to a rise in the price level by 15 per cent. in Witwatersrand. Most of the South African Gold Mining Companies declared much better dividends. For example, West Rand Consolidated declared a dividend of 1s. 3d. against 9d. for the previous six months. The Robinson Dip Mine declared 1s. 9d. per share against 3d. for the previous half year. Some of

the mines gave up manipulation of lower grades: the lowest output during October and November 1949 was 2.86 cwts. per ton of ore against 2.2 in the month of September, 1949. In many places, in addition there was a falling off in the crushing rate.

Devaluation has become a fact. Success or failure of this step depends on whether or not adequate measures are taken to underpin the new economy which devaluation makes possible.

GENERAL ELECTIONS

In New Zealand and Australia, respectively after 14 and 7 years of office, the Labour Government has been defeated: the main issues have been conscription, devaluation, the heavy cost of social security plans, nationalisation of industries—all resulting in lower output and higher consumption.

In Britain, a general election is impending. Nationalisation of medical services, coal and transport, has shown poor results from the viewpoint of output. The nationalisation of steel has been agreed to in principle but has been postponed for implementation till after the general elections. The standard of life in Britain is so high that it requires every effort to pay for it, but nationalisation has the unmistakable effect of lower standards of production, the individual initiative not being there.

In India, the new Republic will be now created on January 26, 1950 and general elections may follow within one year after that. Here again, more or less the same issues will face the voters: how to produce more? How to secure adequate capital? How to reconcile labour demands and the comparative reduction in the national income?

In Hyderabad State, for the first time in India, nearly 9 million voters have been registered in 90,000 pages weighing over one hundred tons. More than one hundred presses were engaged in printing the electoral rolls. The Election to the Hyderabad Constituent Assembly will be based on adult franchise, and the hint given by

H.E. the Governor-General of India in his opening address at the 10th All-India Industrial Exhibition on December 20, 1949, that if administration in India or in Hyderabad goes wrong hereafter the people will have to blame themselves for not exercising their votes in a wise manner. The political parties may throw the blame on one another but that will not improve the general situation. Will the electorate in Hyderabad use the franchise wisely? In the words of Viscount Bryce: "Democracy is a magnificent variety of fatalism."

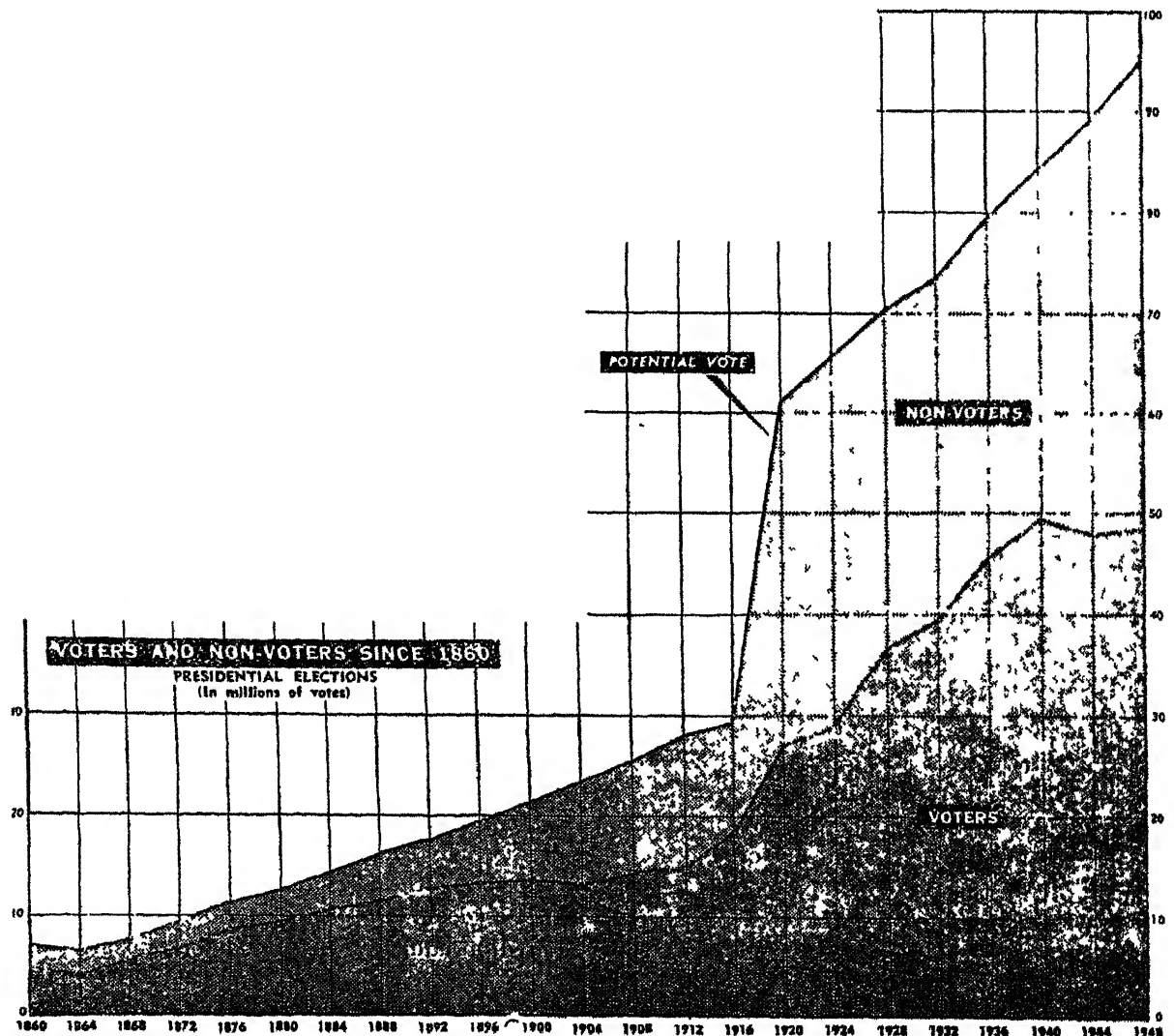
We reproduce below a chart showing the response of voters to elections in the U.S.A. A glance will show that even in that country, the

percentage of voters not exercising their votes has been gradually increasing: so much so that the following questions are worrying the minds of publicists in that country to-day:

- (i) should voting be made compulsory?
- (ii) should non-voters be taxed?

Elections in all leading democratic countries have their own blemishes: the caucus, the campaign, the stunt and the promise. There is any amount of avoidable excitement, rioting, breaking of heads, leave alone mud-slinging. But if we lose hope in democracy, there is no other conceivable hope: the voice of the people must be taken as the voice of god.

A PROPOSAL TO TAX THOSE WHO DON'T VOTE



The New York Times.

DISINFLATION AND CONTROL

THE *Economist* dated 29-10-1949 contains a specially stimulating article entitled "A Policy for Efficiency." This article is predominantly meant for home consumption, but a close study reveals the fact that it is perhaps more useful to readers in India than in Britain. It is not very long ago that Mahatma Gandhi unreservedly condemned the policy of controls. He firmly believed that once controls were removed competitive forces would begin to operate and general economic conditions would re-adjust themselves into a grove of stability. This policy was taken up by the Government of India for some time, but as the first fruits proved apparently alarming it was given up, and a more and more tightening policy of controls has been resorted to of late.

The *Economist* points out that while the prime objectives of the Left have rightly been Full Employment and Social Justice, the prime motive for productive activity has degenerated as well among labourers as among capitalists, and the result has been that the British nation has become habituated to consume more than it produces. The journal has very frankly said:

"If a radical solvent of the creeping paralysis that now frustrates the British economy is not quickly found, full employment and social justice will have to go to the wall in a mad scramble to secure, at any cost, enough efficiency to survive."

The journal goes on further and points out that salvation for Britain lies not merely in a high standard of productivity per-man-hour, not merely in reducing prices by succeeding in reducing costs, but, what is more, by bringing down prices to levels that would not only maintain but stimulate effective demand for the product. In order to bring about this condition it has been rightly pointed out that the prime requisite is mobility and adaptability of resources. This mobility could be improved by allowing freedom both to labour and to capital move, and the freedom to move requires something more than mere prayer or command: "If the last four years

have proved anything at all, it is that neither Ministerial exhortation nor bureaucratic planning schemes provide sufficient pressure." It has been emphasised that "the means to efficiency is, in every walk of life, to let the best man win": of course, without infringing the basic requisites of social security.

The *Economist* has categorically confirmed that in spite of controls and counter-controls during the past three or four decades, administrations have utterly failed to find any workable alternative to the market economy. A plea has been made that disinflation should bring down total demand slightly below total supply, and this should be followed by the removal of as many controls over prices, wages and incomes as possible. Real disinflation should bring about the liberation of individual incentive, but there can be no liberation of the economy without a substantial reduction in taxation. A policy of de-controls should be steadfastly pursued till the second stage is reached, all the compulsions to efficiency beginning to operate, costs—and therefore prices—falling without dragging wages down with them, and the administrations should not be frightened by the shooting up of prices in the very early stages after decontrol.

The five-point programme enunciated by the *Economist* is reproduced below, and every word therein demands very careful understanding and implementation by policy-makers as well in India as outside.

"1. A determined disinflation, sufficient to make a job worth holding and a profit difficult to come by. It is unlikely that this can be achieved without calling in aid the traditional weapons of the rate of interest and of credit control."

"2. A substantial reduction of taxation, without any reduction of the budget surplus—this is a really "significant reduction in expenditure. As a target, the figure of 85 per cent. of the total of private incomes should be

aimed at as a maximum for all forms of taxation."

"3. As many as possible of the present governmental restrictions on the free movements of prices, wages and incomes to be removed."

"4. A really vigorous campaign against all forms of combination in restraint of trade. The old bias of the common law should be revised and restated, and the onus of proving a case in the common interest placed upon those who wish to practise any form of restriction."

"5. The poorest sections of the people to be protected against any possible tendency of the liberation of prices to drive them below the subsistence level. The reduction of taxes on income to be accompanied by new restrictions on inheritance."

It is rather strange that on top of all failures in controls, the subject of State trading is engaging more and more attention of the authorities: ideals may be fascinating but it is no use pursuing mirages.

NEW ZEALAND NATIONAL INCOME AND EXPENDITURE

The figures given below relating to the national income and expenditure of New Zealand should be of special interest to readers in India. The following Features deserve special notice :

1. Figures are given for ten years ending 1948-49, beginning with 1938-39, the pre-war year. The figures for 1948-49 are, of course, provisional: but it is praiseworthy that even provisional figures have been arrived at for 1948-49 by now. Here in India, the latest figures, however incomplete, available are for 1981-82. An attempt is being made by the Economic Adviser's Office, Government of India, to get together information relating to 1945-46. Recently, a small committee has been set up by the Government of India to go into this question of national income and expenditure in this country.

2. The Gross National Product was £. Nz. 229 million in 1938-39 and is estimated at £. Nz. 480 million in 1948-49. The population of New Zealand has been estimated at 1.841 million and the *per capita* income works at about £. Nz. 261. Even on a liberal conjecture the Indian *per capita* income nowadays may not be more than £. 15. The New Zealand *per capita* income disproves categorically the theoretical stigma attached to agricultural countries: New Zealand is predominantly agricultural.

3. The wage roll has increased from £. Nz. 111 million to £. Nz. 226 million in ten years. This increase is just above 100 per cent. and appears very favourable with conditions in India.

4. Pay and allowances of armed forces has been phenomenally low. It rose from £. Nz. 1 million to £. Nz. 4 million in the course of 10 years, and even during World War II the peak reached was £. Nz. 58 million. The reduction in defence expenditure from 58 million to 4 million in the course of 5 years ought to serve as a practical model for many other countries which are now under the strain of a cold war.

5. Whereas wages rose above a 100 per cent. personal incomes rose by about 150 per cent. during the same period. This clearly shows that money wages in New Zealand have been very successfully controlled, and the increase in the national income is much more due to increment in output than to monetary inflation.

6. New Zealand does not suffer from any hallucination about State trading. The income under this head was only £ 9 million in 1938-39 and rose to £. 12 million in 1948-49, the peak (518 million) having been reached in 1948-44 as a result of war conditions.

7. On the expenditure side, the increase in personal consumption is slightly ahead of increase in money wages. This shows that the standard of living in New Zealand has not only been maintained but has been raised, although not very spectacularly.

8. In Government expenditure on goods and services, New Zealand has achieved almost marvellously. With £. Nz. 82 million in 1938-39, the peak figure was reached in 1943-44 to £. Nz. 161 million, but in 5 years that Government has succeeded in contracting Government expenditure by almost $\frac{2}{3}$ from £. Nz. 161 million to £. Nz. 65 million. Here again, New Zealand offers a lesson to numerous other countries in the world which have proved much less successful in cutting down war-time expenditure.

9. Gross capital formation in that country was not adversely affected by World War II. £. Nz. 5 million in 1938-39 the peak figure of £. Nz. 123 million was reached in 1947-48 and even in 1948-49 the estimate is £. Nz. 99 million: the actual figure may perhaps go up to the previous year's level. Here again, New Zealand has struck a different path from most of the sterling area countries where capital formation has been languishing and extraneous aids are being sought.

10. In her balance of payments, New Zealand has made specific progress, having changed over from £. Nz. 6 million in 1938-39 to £. Nz. 80 million in 1946-47, the estimate for 1948-49 being £. Nz. 6 million. Any fear of New Zealand having to face an unfavourable balance of payments would be impossible in view of her high national income and steady standard of life.

11. The concept of the national income and expenditure left the lecture room and academic debates almost a quarter of a century ago. Free material progress has been made in the items and methods of collecting and compiling data, year by year. The United States of America and Great Britain are leading in this matter, and it is encouraging to see that the Government of India have sought the services of eminent economists like Messrs. Kuznets and Stone from the U.S.A. and Britain respectively.

THE MAGIC WAND OF INSURANCE

We reproduce below four statements giving details of the British Unemployment and Health Insurance Funds. The following features in these tables deserve special notice:—

(a) While the Health Insurance Fund has remained more or less steady at £. 122 million in 1935 and £. 172 million in 1948, the Unemployment Fund has increased enormously in size from £. 28 million in 1935 to £. 551 million in 1948.

(b) Table (3) shows that while in the beginning practically the whole of the Unemployment Fund was held in liquid form, there is a clear trend during the last few years towards more and more investment in medium and long-term securities, showing the growing strength of the Fund and the lessening necessity for high liquidity.

(c) Table (2) shows that while the debt due by the Unemployment Fund was £. 105.5 million in 1935, it was wiped out as early as 1941. On the other hand, the annual surplus rose from £. 10.9 million in 1935 to £. 60.7 million in 1947.

(d) Table (4) shows that in March 1949, the total holdings of both the funds amounting to £. 1,025 million were held predominantly in Government Securities (£. 668 million), thus minimising the element of risk.

Thus, these funds are not only contributing towards the health and stability of the nation but have also proved more than self-supporting. Table (2) shows that the contributions made by the employers and the employees are based on rather pessimistic rates, the result being that the operations of the two funds have yielded increasing surpluses.

Figures in Table (4) show that the management of these funds by the Government has proved a great facility for capital transactions: £ 668 million invested in Government Securities has gone a long way in helping the capital transactions of Government.

To a considerable extent, the operations of these funds have resulted in a redistribution of the national income both as among employers and employees and among the non-claimants of benefits and claimants. This has been possible on account of the fundamental principle underlying these two funds being not one of independent or private enterprise, but of an important category of social service financed by a compulsory levy. Incidentally, it may be pointed out that during the last few years, big investments by these funds in Government Securities have had timely disinflationary influence.

The powers of the Treasury under the National Insurance Act are wide and far reaching and the success in the management of these funds is due in no small measure to the supervision by the Treasury.

(a) It can control directly the investment of the surplus of receipts over expenditure both for the National Insurance Fund and the Reserve Fund, although, of course, Parliament authorises investment only in savings bank funds.

Although the act of investment is performed by the National Debt Commissioners, the latter are "as assiduous in their attendance" at meetings of that august body as the Archbishop of Canterbury is at meetings of the 'Board' of Trade. A quorum of three members is sufficient to make decisions effective and the usual quorum consists of the Chancellor of the Exchequer, the Governor and the Deputy-Governor of the Bank of England.

(b) The Treasury under section 3 of the Act can by Order be laid before Parliament raise or lower contributions in order to stabilise employment on the lines of the scheme in Appendix II of the White Paper on Employment Policy [Cmd. No. 6527 (1944)]. This practice will, of course, directly influence the size of both Funds.

(c) The accounts of the funds are to be prepared under Treasury direction and they will be presented annually to Parliament, not by

the Accountant-General of the Ministry of National Insurance, but by the Controller and Auditor-General.

(d) The Interim and Quinquennial Reports by the Government Actuary on the financial condition of the funds are prepared for the Treasury, not the Minister, and the former will be responsible for the laying of these reports before Parliament. The Treasury may also direct that actuarial reports on the state of the funds be made more frequently than is required by the Act.

Even life insurance in India is still very backward. By the end of 1935, the value of life insurance policies amounted to Rs. 235 crores distributed over 1.1 million policies. By the end of 1945, the same figure was Rs. 551 crores, distributed among 2.6 million policies. Roughly speaking, there was insurance cover only for 2.6 per cent. of the families in India (undivided), taking the population approximately at 400 million and the number of families at 100 million. Thus, 97.4 per cent. of the population had not even the elementary cover against the risk of death, leave alone other special kinds of insurance.

In Hyderabad, taking the population approximately at 20 million and the number of families at 4 million, and the average insurance cover against death at Rs. 500 per family, the value of life policies should be at a minimum of Rs. 200 crores. Even spreading this activity over 10 years, we would require an average business of Rs. 20 crores per annum. Approximately, when the Rs. 200 crores target is reached, the annual premium would be about Rs. 8 crores and the administration charges about Rs. 16 lakhs, taking the working expenses at about 2 per cent. of the annual premiums collected.

In the sister State of Mysore, the Government Insurance Department has been running a public branch. Although it cannot be said that this public branch has brought about any mentionable redistribution of the national income, it cannot be denied that it has brought about a great deal of stability in the economic condition of average

families, and has also proved a facility to the Government for capital transactions. Further, it has created a fairly large amount of employment to "helpers" who canvass business for the public branch.

In Hyderabad State, life insurance business is being done by the Hyderabad Co-operative Insurance Society, the Hyderabad State Life Insurance Fund and a few other insurance companies with headquarters outside Hyderabad State. But all this business is microscopic. Any thing short of a target of Rs. 2 crores worth of policies in the first year must be considered as a bad beginning. A proposal that the Hyderabad State Life Insurance Fund must open a public branch has been hanging fire for several years. The best course in this direction would perhaps be for the Government to sponsor an all-pervading Insurance Corporation with Government either owning 51 per cent. of the share capital, or giving sufficient guarantees for the payment of interest and redemption of debenture bonds. Such a Corporation may begin with the elementary work of life insurance, gradually spreading its activities to other varieties. In the formation of such a Corporation, due arrangements would have to be made to absorb the present Hyderabad Co-operative Insurance Society, so that the new corporation could ensure itself of some strength even at the beginning. The Superintendent of Insurance in Hyderabad or a small committee (that might be appointed by the Government) should be able to indicate the main outlines of the suggested organisation.

TABLE No. 1.

TOTAL SECURITIES HELD BY THE UNEMPLOYMENT FUND
AND HEALTH INSURANCE FUNDS, 1935-1948

		(£. m.)					
		1935	1937	1939	1942	1945	1948
(a)	Unemployment Fund	23	63.5	62	158	372	551
(b)	Health Insurance Fund	..	122	125	131	146	173
(c)	Total	..	145	188.5	193	304	545
							723

NOTES

1. SOURCES : Annual statements on Unemployment Fund, Investment Account and National Health Insurance Fund, House of Commons papers.
2. The figure for 1948 refers to state of funds on 4th July, 48. Other figures refer to 31st December of the relevant year.
3. The Health Insurance Funds include :
(a) Investments of Health Funds for England, Wales and Scotland :
(b) Investments of the 'Central Fund' (cf. 10th Schedule of the National Insurance Act) and (c) Investments of the "Unemployment Arrears Fund" (cf. sect. 158 (I) of National Health Insurance Act, 1936).

TABLE No. 2.

RELATIONSHIP BETWEEN RECEIPTS, EXPENDITURE,
SURPLUS AND DEBT IN UNEMPLOYMENT FUND, 1935-47.

(£. m.).

Year	Receipts	Expend- iture	Employ- ers' emp- loyees' contribu- tions	Surplus	Standing Debt
1935	.. 64.8	53.9	42.6	10.9	105.5
1936	.. 65.7	48.1	43.2	17.6	104.7
1937	.. 64.9	43.6	42.7	21.3	103.1
1938	.. 65.9	58.1	42.7	7.8	81.5
1939	.. 67.3	50.7	43.8	16.6	77.1
1940	.. 67.1	33.1	44.7	34.0	39.0
1941	.. 76.6	12.7	50.4	63.9	..
1942	.. 70.0	6.6	51.3	72.4	..
1943	.. 77.8	4.3	49.0	72.5	..
1944	.. 75.99	5.6	47.1	70.3	..
1945	.. 7.47	11.9	45.2	67.5	..
1946	.. 97.9	29.3	49.3	68.6	..
1947	.. 92.3	31.6	52.7	60.7	..

NOTES

1. SOURCES : Reports of Unemployment Insurance Statutory Committee, 1935-'48.
2. The Figures relate to the 31st December of each year, including the figure for investments. The latter do not correspond, therefore, with the total investments in Table 3.
3. Receipts include employers', employees' and the Exchequer contribution together with interest from investments.
4. The Surplus is the accounting surplus and may not correspond to the Committee's declared surplus for the particular year in question.

TABLE No. 8.

DISTRIBUTION OF SECURITIES HELD BY THE UNEMPLOYMENT FUND ON 31ST MARCH OF EACH YEAR FROM 1935-1948.

Year	Treasury Bills	Ways and Means Advances	(£. m.) Short-dated Securities (War Bonds Treasury Bonds, Conversion stocks)	Medium and Long-dated Securities	Percentage Internal Unfunded National Debt	Percentage Total National Debt		
1935	..	1.2	..	9.6	..	0.22	.13	
1936	..	1.2	..	23.2	..	0.7	.32	
1937	1.2	42.2	..	1.2	.55	
1938	..	1.2	..	41.0	..	0.86	.51	
1939		0.1	..	42.1	..	1.1	.51	
1940	..	1.0	..	26.2	..	0.58	.28	
1941	..	1.0	..	32.4	..	0.47	.29	
1942	..	1.0	..	102.3	..	1.7	.73	
1943	..	13.6	..	162.4	..	1.33	.91	
1944	..	20.0	..	231.6	..	1.5	1.2	
1945	..	20.0	..	292.9	..	1.7	1.3	
1946	..	29.9	..	289.3	3 per cent. Savings Bonds	77.2	1.95	1.7
March								
1947	..	14.45	4.75	252.3	(a) 2½ per cent. and 3 per cent. Savings Bonds 157.2, (b) 2½ per cent. Treasury (guaranteed) Stock 1975 and after 24.7	2.1	1.8	
December,								
1947	..	20.0	..	252.3	(a) 2½ per cent. and 3 per cent. Savings Bonds 171.4, (b) 2½ per cent. 1975 and after 65.0	..	..
March,								
1948	..	20.0	..	252.3	(a) 2½ per cent. and 3 per cent. Savings Bonds 171.4, (b) 2½ per cent. 1975 and after 79.9, (c) Transport 3 per cent. stock 1978-88, 8.3	2.2	2.1	
July,								
1948	..	20.0	..	252.3	(a) as above, (b) 80.9, (c) 26.7	..	..

1. SOURCES: Statement of Funds in Unemployment Investment Account issued annually by the National Debt Commissioners. Finance Accounts of the U.K.: Annual Statements (for National Debt figures on 31st March of each year).
2. Classification of Securities is based on that of the London and Cambridge Economic Service as contained in Bulletin XXVII, Vol. I, February, 1949. New Statistics 74-75. "Redemption is assumed at the later date if the price is below par and at the earlier date if it is above par. Short-dated have up to nine years to run, medium-dated about 15-30 years."
3. All securities are quoted at their nominal values. Reference to the market value of certain long-dated securities is made in the text.
4. The National Debt percentage figures in Table 3 are for the total National Debt excluding external debt. In calculating the percentage of unfunded debt for 1947 and 1948, those securities held by the Fund which are part of the Funded Debt are excluded.

TABLE No. 4.

NATIONAL INSURANCE FUNDS INVESTMENTS, MARCH, 1949.

					(£. m.)
(a) Investments held in the National Insurance Fund :	..	..	..	..	196.6
(b) Investments held in the National Insurance (reserve) fund :					
(i) British and Northern Ireland Government Securities	..	..	..	..	668
(ii) Securities Guaranteed by British Government	..	..	..	..	145
(iii) Dominion and Colonial Stocks	..	..	..	..	5.4
(iv) Local Authority Stocks, Mortgage Loans and Housing Bonds				..	10
(c) Total Securities held in both funds	..	..	..	..	1,025

NOTES

1. SOURCES: House of Commons papers No. 173, 1949.
2. The National Insurance Fund consists entirely of short-term debt with nine years or less to run including Treasury Bills, Exchequer Bonds, National War Bonds and National Defence stock.
3. The reserve Fund mainly consists of medium and long-dated stocks including £. 201 m. of 2½ per cent. Treasury Stock 1975 or after in Group (i). and £. 137 m. of British Transport 3 per cent. Guaranteed Stock 1975-88 in Group (ii).
4. The securities in Groups (iii) and (iv) were transferred from the National Health Funds of Approved Societies. These Securities are not authorised as investments for the Fund (cf. Part I, para of this article) and may be disposed of by the Commissioners (cf. Section 66 (4) of the Act).
5. It is clear from this table that even allowing for the transfer of funds from the Approved Societies and for the accumulation of investments since the 4th July, 1948, there is an obvious discrepancy between this published total and that given for 1948 in Table I. This is accounted for by the transfer of securities from the Pensions Funds (cf. Part III. Tenth Schedule of the Act) but no figures are available for the securities held by these Funds prior to their transfer to the National Insurance Funds. It is probable that the Pensions Fund Accounts, as well as holding a considerable proportion of the medium-dated securities in Group (i), also contained the larger part of the Government Guaranteed Securities in Group (ii), transferred under the Act

SAVING OR SPENDING

Indian capital has suddenly become despondent and many new and proposed industries have come to a dead stop on account of a voluntary retirement of private enterprise and the inability of governments to float big loans. In a situation like this, a campaign has been set afoot for commandeering capital from the labourer and the cultivator from out of his savings either on a voluntary or a compulsory basis. The Governor-General of India took up this theme in his *Vijaya Dashimi* message. There can be no two opinions about the need for large amounts of capital investments for a number of years to come in India in order to utilise available resources, and develop potential resources. To some extent at least, there are alternative ways of meeting this need, like borrowing abroad or borrowing from the Central Bank of the country (managing a steady ratio between increased money and consequential increased economic activity). The former demands efficient and continuous negotiation by Indian experts in countries like the U.S.A., Canada, and Australia. The latter demands a very high level financial acumen, the danger of inflation always being on the horizon. But in the present note, we propose to examine a few questions relating to the present position of the capitalist on the one hand and the labourer and the cultivator on the other, with regard to financing the capital needs of the country.

It is held by some that a redistribution of the national income has been brought about. While this may be true to some extent, it would be rather too optimistic to hold that a sufficient redistribution has come about from the viewpoint of financial equity. In spite of increases in wages in some of the organised industries, it still remains true that the bulk of labourers and cultivators in this country, are living on sub-human standards of life. A glance at the food subsidies, income-tax concessions, children's subsidies, and insurance benefits that are provided for the average family in Britain, must

show that practically very little has yet been done to secure and stabilise a fairly satisfactory standard of living for the average Indian family. The behaviour of wages in the U.S.A. as shown in the table below confirms the same inference :—

AVERAGE HOURLY WAGE IN IMPORTANT INDUSTRIES IN THE U.S.A.

			1940	1949
			\$	(latest)
Steel	..	..	0.85	1.65
Automobiles	..	..	0.95	1.71
Electrical machinery	..	..	0.73	1.45
Rubber	..	..	0.77	1.53
Textiles	..	..	0.48	1.17
Lumber	..	..	0.51	1.17
Paper	..	..	0.61	1.36

Has the average labourer and cultivator in this country a saving margin? The purchasing power of the rupee has gone down considerably compared to 1938 and any *real* rise in money incomes of the poorer classes has been more than neutralised by the fall in the purchasing power of money. It would perhaps be nearer the truth to say that any rise in the standard of living in 1949 has been much more the result of ideology and expectations than of increase in real earnings.

Indian capital has been accustomed to a tradition of high profits. There was very recently a 5 per cent. Investigation Committee in the U.S.A., that percentage being considered very near criminal. Here in India, the percentage allowed by law is six or the average of the profits during the previous three years whichever is higher. Capital has taken up a threatening attitude, and the question arises as to whether the authorities should leave that section alone, cajole it by concessions and reductions in the tax structure, or resort to disciplinary measures like a capital levy. Even granting that the current margin of saving has become rather small for the capitalist, the question remains of his past earnings. The authorities have appealed to the capitalist class to lay bare their past

earnings, but it would be too much to expect of businessmen to divest themselves of their past earnings on a voluntary basis.

“The *Sahukars* have gone under.” The poor will be hereafter “the clientele of the Reserve Bank of India.” It is difficult to agree that the former statement is a fact and the latter a practicability. The unfortunate tendency in India is to ignore the dire need of a national maximum while gauging the requirements of the man in the street at a bare physical subsistence minimum. The only way to clarify ideas and to evolve sound policy would be through intensive economic inquiries, and the Hyderabad Government have taken a very timely step in this direction by constituting a Central Board of Economic Enquiries and ordering an all-in economic survey of life in Hyderabad villages.

BELATED ISSUES

The Hyderabad State has been passing through tremendous changes and reforms, and the Government Press has its own share in every scheme and plan, and every committee and report. In spite of the best efforts of the Director (who is also the joint Secretary of the Editorial Board of this Bulletin), the volume of work has far exceeded the full capacity of the Press. The result has been that this journal has had to release bi-monthly issues during the last six months: the current one is a quarterly. We solicit the forgiveness of our readers for these belated publications. We hope that with the new year we shall be able to publish our issues regularly every month, with the co-operation of the Government Press, after the so-called “general strike” comes to an end.

International Organisations

NEW PATTERN OF WORLD TRADE EVOLVED

33-NATION AGREEMENT ON TARIFF CONCESSIONS

ABOUT 5,000 items are included in a tariff list, forming a new pattern of world trade thrashed out by 33 nations after a four and a half months' conference at Annecy, France, between April 8 and August 27. These nations, between themselves, share 80 per cent. of the world's total trade.

The report, which is regarded as "another landmark in international commercial relations," released simultaneously in the capitals of the countries concerned, embodies vitally important American concessions to a dollar-hungry world, involving about 250 million dollars worth of imports. These concessions include both reductions of some present barriers and guarantees against the raising of others.

Washington trade officials announced recently that President Truman and the American State Department were preparing for new world tariff-cutting negotiations next year. They were studying likely commodities on which Britain would seek tariff concessions.

The Annecy Conference was held by the 23 countries belonging to the general agreement on trade and tariffs (G.A.T.T.), who first agreed to extensive tariff concessions two years ago in Geneva.

VOLUME OF TRADE

These countries were Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, the Lebanon, Luxemburg, the Netherlands, New Zea-

land, Norway, Pakistan, South Africa, Southern Rhodesia, Syria, Britain and the United States.

These countries, with their dependent territories, accounted in 1948 for nearly three quarters of the world's trade in merchandise. Their imports amounted to about 34,000 million dollars out of a world total of 51,000 million dollars.

During the Annecy Conference ten more nations, representing an additional seven per cent. of the world imports, sought accession to the G.A.T.T. These were Denmark, the Dominican Republic, Finland, Greece, Haiti, Italy, Liberia, Nicaragua, Sweden and Uruguay.

At Annecy it was only the ten new members who negotiated tariff concessions between themselves and with the existing members. Even so, this meant 147 separate negotiations to reduce or bind tariff rates.

Approval of concessions by national legislatures will be necessary in most countries and alterations in existing rates of duty will not be made before January 1, 1950.

The ten acceding countries will have, until April 30, 1950, to sign the protocol of accession. It is implied that they will enforce the agreement provisionally within 30 days of signature, and will put into force the tariff concessions negotiated at Annecy.

BRITAIN'S UNDERTAKING

Britain, as head of the sterling bloc, has undertaken not to increase duties on goods of which imports from all the other 32 countries were valued at £. 73,900,000 in 1938.

In turn, she is expected to benefit from concessions on exports valued in 1938 at £. 22,000,000.

About 5,000 items are listed in new tariff lists. On some of them, countries have reduced tariffs and on others they have bound themselves not to make increases above existing levels.

Both should help to stimulate world trade, since many people fear that if they greatly increase their exports, some foreign countries will raise tariffs to protect their own industries.

A great advantage of the G.A.T.T. is that all contracting countries grant most favoured nation treatment to each other. Thus, any tariff concession granted by one country to another is automatically extended to all other members.

The existing G.A.T.T. countries are hopeful that the effects of all concessions made, both at Annecy and at Geneva two years ago, will increase as time goes on. Members undertake not to impose restrictive quotas on their imports from each other except when forced to by balance of payments difficulties.

IMPERIAL PREFERENCE

Some of Britain's imperial preference to Commonwealth countries have been affected by the Annecy Conference.

But all imperial preference reductions only cover British imports from Commonwealth countries, enjoying the preference to an amount valued at £. 4,800,000 in 1938.

Reduction of imperial preference margins on goods imported by the Commonwealth from Britain only affected goods valued at £. 50,000, in 1938.

WASHINGTON: The State Department announced that besides granting concessions involving about 250 million dollars worth of imports in 1948, the U. S. had received concessions from the ten acceding nations, with whom the American negotiations were carried on at Annecy.

These are valued at 536,997,000 dollars.

CARTOONISTS ON BOTH SIDES OF THE ATLANTIC EXCHANGE SOME BLOWS IN BRITISH EYES



IN AMERICAN EYES



THE BRITISH PAYMENTS AND EXCHANGE—CONTROL SYSTEM

For purposes of exchange control, the non-sterling world is divided into the following groups, each with its own characteristics.¹ Payments agreements or other negotiated arrangements exist with the countries marked with an asterisk; for other countries, payments

are regulated by Treasury Order only.

A fourth "miscellaneous" group comprises the remainder of the non-sterling world, *e.g.*, Afghanistan, Arabia, and so on.² Trade with Germany has, of course, its own special regime agreed upon by the United States and Britain and operated through their Joint Export-Import agency.³

AMERICAN ACCOUNT COUNTRIES

*United States
Philippines
Bolivia
Columbia
Costa Rica
Cuba
Dominica
Ecuador
Guatemala
Haiti
Honduras
Mexico
Nicaragua
Panama
Salvador
Venezuela

TRANSFERABLE ACCOUNT COUNTRIES

(a)
*Czechoslovakia
*Dutch Monetary Area
*Norway
*Sweden
(b)
*Chile
*Egypt
Ethiopia
*Finland
Iran
*Italy and Trieste
*Poland
*Russia
Siam
*Spanish Monetary Area
Sudan

BILATERAL COUNTRIES

(a)
*Belgian Monetary Area
*Canada and Newfoundland
Danish Monetary Area
*French Franc Area
*Portuguese Monetary Area
*Switzerland
(b)
*Argentina
*Austria
*Brazil
Bulgaria
China and Formosa
Greece
*Hungary
Japan
Palestine
*Peru
Rumania
Syria
Tangier
Transjordan
*Turkey
*Uruguay
Vatican City
*Yugoslavia

British exports to any of the sixteen countries in the American account area are payable in United States dollars or in sterling held by residents in any of them. Sterling received by any of them on current account is widely transferable and convertible into United States dollars and, therefore, universally transferable. Under the Loan Agreement of 1945 there is no restriction on the use of convertibility of the United States' current receipts of sterling. By way

of example in other countries, a Bolivian resident can freely transfer his sterling to another Bolivian, or to a resident in any of the fifteen other countries in the area, in any of the fifteen countries in the transferable account area, in the miscellaneous countries, and, of course in the sterling area itself. In short, anywhere in the world except in countries in the bilateral area. If the transfer is to the United States, the sterling becomes convertible into dollars.

1. Exchange Control (Payments) Orders, 1948, *viz.*, S. I. 1080, 1418, 1736, 1856, 2423 and 2628.

2. I include Paraguay although it is under unique arrangements. (*e.g.*) Hansard November, 25, 1947, col. 1791).

3. Cmds, 7001 of December, 1946 and 7301 of December, 1947.

Exports to any of the fifteen countries in the transferable account area are payable in locally held sterling, in sterling from other countries in the area, or from the American account area. Alternatively, exports to Czechoslovakia, Dutch territories, Norway and Sweden may be paid in the respective local currencies. Sterling received by any of the countries is freely transferable within that country, within the whole area on current account only, to the miscellaneous countries, and, of course, to the sterling area. Moreover, specific sanction may be given to still wider transfers.

The "Miscellaneous" countries are minor ones in world's trade. Exports to them are payable in locally held sterling or in sterling from a transferable or American account. Sterling received by them can be spent among themselves or in the sterling area.

The wide, automatic transferability of ster-

ling implied by the above does not necessarily apply to the bilateral area. Exports to the country in sub-list (a) are payable in its locally held sterling or in its local currency; exports to a country in sub-list (b) are payable in locally held sterling only. Sterling received by each country is transferable only within that country or, of course, to the sterling area. It cannot be transferred outside except with special Treasury permission.

As a payments agreement with Britain is in effect also an agreement with the rest of the sterling area,¹ the relative importance of the different areas distinguished above could be fully determined only from statistics on the whole area's visible and invisible items. But this information is not available.

Nevertheless a reasonable picture can be formed from Britain's own trade figures, as given in the table below.

1. But there has been only one deal in which Britain, Australia, India, New Zealand, South Africa, and the Colonies have formally acted as one, namely, a sterling

deal with Japan (BTJ, November 13, 1948, page 942; FNS, November 18, 1948). Other countries in the sterling area may accede if they wish.

A pattern which is slowly changing—slowly, for trade cannot be turned on and off like water in a tap—is discernible here and may be described as follows. Countries in the sterling and transferable areas have been supplying Britain with a rising proportion of its imports, the share of the first being over a third, and of the second, over a fifth. Together they approach 60 per cent. If all E.R.P. countries are added in

two thirds of the imports sterling is transferable. The sterling paid out is automatically transferable over much of the world and is mopped up mostly by return British exports. The British balance of trade breaks about even, and more than with the sterling and transferable areas, when freight and insurance are allowed for. A falling fraction of imports is obtained from Canada, Newfoundland and the American account

Currency Areas as of January, 1, 1949	JAN.—JUN 1947		JULY—DEC. 1947		JAN.—JUNE 1948		JULY—DEC. 1948	
	£. m	%	£. m	%	£. m	%	£. m	%
Sterling area ..	254.2	31.0	308.8	31.2	372.2	36.3	376.7	35.8
American Area, viz., ..	181.6	22.1	181.1	18.8	126.5	12.3	114.2	10.8
U.S.A. ..	150.7	18.4	146.5	15.0	95.4	9.3	89.0	8.4
Other ..	30.9	3.8	36.6	3.8	31.1	3.0	25.2	2.4
Transferable areas ..	106.8	13.0	155.4	16.0	198.0	19.3	230.7	21.9
E.R.P. countries ..	55.2	6.7	88.3	9.1	93.4	9.1	117.7	11.2
Other ..	51.1	6.2	67.1	6.9	104.6	10.2	113.0	10.7
Bilateral area, viz., ..	265.2	32.3	310.8	31.8	305.4	29.8	307.5	29.2
Canada & Newfoundland ..	109.2	13.3	129.9	13.3	117.2	11.4	105.8	10.0
E. R. P. countries ..	67.9	8.3	74.3	7.6	99.2	9.7	90.3	8.6
Other ..	88.1	10.7	106.1	10.9	89.0	8.7	111.4	10.6
Germany ..	5.6	0.7	13.7	1.4	14.5	1.4	14.9	1.4
Miscellaneous area ..	2.7	0.3	4.6	0.5	5.1	0.5	7.4	0.7
Foreign fisheries ..	4.8	0.6	3.2	0.3	4.0	0.4	2.4	0.2
Total. ..	820.4	100.0	974.1	100.0	1025.7	100.0	1053.8	100.0

UNITED KINGDOM EXPORTS AND RE-EXPORTS (F.O.B.)†

Sterling area ..	247.6	45.0	313.7	48.5	371.9	48.0	422.6	48.4
American area, viz., ..	42.7	7.7	39.3	6.1	50.3	6.5	52.8	6.1
U.S.A. ..	33.8	6.1	27.6	4.3	34.2	4.4	36.8	4.2
Other ..	8.9	1.6	11.7	1.8	16.1	2.1	16.0	1.8
Transferable area, viz., ..	105.3	19.1	107.5	16.6	137.6	17.7	161.7	18.5
E.R.P. Countries ..	53.6	9.7	58.0	9.0	73.8	9.5	92.4	10.6
Other ..	51.7	9.4	49.5	7.6	63.8	8.2	69.3	7.9
Bilateral area, viz., ..	142.1	25.8	167.5	25.9	194.2	25.1	217.5	24.9
Canada and Newfoundland ..	20.0	3.6	26.0	4.0	33.3	4.3	40.4	4.6
E.R.P. countries ..	76.8	14.0	87.1	13.5	105.1	13.6	115.8	13.3
Other ..	45.3	8.2	54.4	8.4	55.8	7.2	61.3	7.0
Germany ..	10.8	2.0	17.2	2.7	17.2	2.2	13.9	1.6
Miscellaneous area ..	2.2	0.4	2.2	0.3	3.6	0.5	4.4	0.5
Total. ..	550.7	100.0	647.4	100.0	774.8	100.0	872.9	100.0

†. Compiled from the Monthly Trade Accounts which are subject to correction in detail. Imports exclude fissionable material and include German reparation goods. Exports include relief and rehabilitation supplies (U.N.R.R.A. and others). Because imports are valued c.i.f. and exports f.o.b., when goods are carried

in British ships or under British insurance, the exports would be greater and the imports less in currency than the official values, probably by more than 10 per cent. on the average. That is, the trade gap is less than the official figures show as above, subject to an allowance for exports mopping up old sterling balances.

area, the first showing a slow drop to about a tenth, and the second a rapid drop to almost the same figure. But here British trade is hopelessly out of balance, save for the generous Marshall and Canadian aid. Countries in the bilateral area (excluding Canada) supply rather less than 20 per cent. of the imports. Since their sterling is not automatically transferable their balances are not additive, and trade with the sterling area outside Britain is a special complicating factor in some cases. Britain alone has a favourable balance with eleven of them, and an unfavourable with ten. The final balancing of the separate accounts requires invisibles, the trade of the rest of the sterling area, the use of credit limits, sale of capital assets, or payments in gold or dollars.

All told, British exports and re-exports have recently been equalling British imports in f.o.b. values. This is an amazing achievement: before the war, in 1938, they were less than two-thirds. Such a balancing is now Britain's fate, for the old pre-war net invisible income seems gone forever.¹

H. A. SHANON.

From The Quarterly Journal of Economics.

1. "For the future, in fact it will only be by the export of goods that we shall be able to pay for the goods we import," *Economic Survey for 1948* (Cmd. 7344), page 13. Despite a population growth of some three million, British exports at the end of 1948 were about 50 per cent. above pre-war volume, and imports, 20 per cent. below—a double sacrifice in goods foregone and goods not obtained. In this balance the British achievement is unique

most important currency still valued in terms of gold (at \$ 85 an ounce). Sterling is kept pegged by the exchange authorities at \$ 4. 03 to the pound. Devaluation of sterling would in practice mean a devaluation of sterling in terms of the dollar. This, however, would be tantamount to devaluation in terms of gold: if the pound were valued at \$ 3 instead of \$ 4 the official price of gold would be 280 s. instead of roughly 1738.

DISCRIMINATION

Any sort of discrimination against the trade of any country or countries. The most important methods of discrimination are (1) exchange control arrangements which allow currency to be spent in some countries but not in others (*e.g.*, exporters to this country may spend their sterling, in a sterling area country and in some other countries but not, for example, in the United States). (2) Quantitative restrictions on imports or Government buying arrangements which give preference to imports from particular countries on grounds which are not purely "commercial" (*i.e.*, advantages of price and quality, &c.) (3) Tariff discrimination, of which the United States claims to see an example in Imperial Preference. There have been comprehensive provisions against discrimination of these kinds in various international documents and treaties, notably the International Trade Charter, the Anglo-American Loan agreement, and the Marshall Aid agreements. Discrimination always tends to be practised against exports from "hard-currency countries."

HARD CURRENCY

A term without precise meaning. In general, when used in relation to this country, it means the currency of any country with which this country has an adverse balance of payments in current transactions which has to be settled in gold or dollars. It thus includes—*e.g.*, the Belgian and Swiss francs, as well as dollars and the other dollar-area currencies. It is sometimes used in relation to any country with which the sterling area has a deficit and finds difficulty in

arranging settlement of this deficit, even though the deficit is not payable in gold (*e.g.*, at one time, Argentina).

A currency can be a "hard" currency in relation to this country without being convertible into gold, and even though the country concerned has an adverse balance of payments in its total transactions with all countries. For example, the sterling area must settle any deficit with Germany and Japan, over certain limits, in dollars; in relation to the sterling area, therefore, since the sterling area tends to have a deficit with both countries, the Deutschmark and the Yen are hard currencies. Hard currency is thus a relative rather than an absolute term, reflecting as it does the relation between one currency and another.

INFLATION, ALSO DEFLATION, DISINFLATION, REFLATION

A term which describes a certain set of familiar experiences rather than a strictly defined condition. Inflation is used to describe the situation in any country where there is an excess of currency and credit in relation to the work to be done, an excess of purchasing power and effective demand in relation to its goods available, with prices and wages, and prices again rising in consequence. Sometimes, however, certain features are present without the whole apparatus of inflation. Thus reference is sometimes made to specific aspects of inflation—"inflation of credit," "inflation of prices," &c. Sometimes again, although there is an excess of money, credit, purchasing power and demand, it is either insufficient to exert such pressure on prices that wages rise or alternatively, wages and prices are restrained by direct control. This situation is often described as one of "inflationary pressure" rather than of actual inflation.

DEFLATION means the opposite extreme—declining credit, purchasing power and demand, falling wages and prices with an insufficiency of purchasing power serious enough to cause substantial unemployment. Both terms may be used either to describe the actual existing state of

affairs or a process, *e.g.*, "deflation" may describe a situation of insufficient purchasing power and unemployment or it may mean a continuous process by which purchasing power contracts, wages and prices fall, and unemployment increases. The terms Disinflation and Reflation imply the return to "equilibrium" from an inflationary or deflationary state of affairs—equilibrium being defined very roughly as a stable situation in which prices and wages do not tend to move much either way, in which unemployment is limited to the natural amount required for mobility of labour, etc., and in which purchasing power does not at any rate rise more than in relation to a general increase in production.

MULTILATERAL

In general, this term describes a state of affairs in which trade is carried on between many or all countries without each pair of countries having to balance trade or payments between themselves. It implies that surpluses earned in transactions with some countries can be set off against deficits incurred in transactions with others. It implies that currencies must at least be "transferable" fairly freely, and that ideally they should be "convertible." In a wider sense it may describe any policy which tends towards a more general international exchange of goods.

OFF-SHORE PURCHASES

The name given to supplies to countries in receipt of Marshall aid, which are financed by Marshall aid but which do not come from the United States itself, *e.g.*, part of the aluminium shipped from Canada to this country is paid for by Marshall dollars and is thus an "off-shore purchase." Under United States law Marshall aid may not be used for the off-shore purchase of any commodity which the United States has declared to be in surplus in the United States. Wheat, for example, became a surplus commodity in the United States early in 1949, and, though it has not been officially declared as such, since then the United Kingdom has been unable to use Marshall aid to pay for its purchases of Canadian wheat.

SOFT CURRENCY

Like hard currency this is a relative rather than an absolute term. It means a currency of which other countries (or some other countries) have earned more than they can willingly spend in the country whose currency it is. There is a tendency to accumulate unspent balances of a soft currency. A soft currency is, by definition, non-convertible—*i.e.*, cannot be converted into gold or dollars; otherwise there could be no reason for accumulating unspendable surplus of it and it would still be in demand. A currency may, however, be "transferable" (within limits) and yet remain a soft currency in relation to some other currencies.

STERLING AREA

Originally a group of countries, mainly Commonwealth countries, which had the habit of keeping their reserves in sterling and not in gold or dollars, but during and since the war, with the advent of exchange control, the sterling area has acquired an official and legal existence, and has become a more definitely linked group of countries. Legally—that is to say, in exchange control regulations, etc.—they are referred to as the "schedule territories" (by reference to the schedule in the Exchange Control Act in which they are listed). Besides keeping their reserves in sterling, they have acquired additional characteristics. They are countries between which money may be transferred freely (subject to minor exceptions). It follows from this that, since there is freedom of exchange within the sterling area, there is necessarily an exchange control round the sterling area as a whole. In practice this means that the exchange controls in the different territories of the sterling area are organised on much the same lines, and there is a certain amount of common policy regarding imports from, and payments to, dollar and other hard currency areas. Generally the territories of the sterling area that earn a net surplus of dollars in their trade or other transactions sell their excess dollars to the United Kingdom exchange control in return for sterling, and those that spend more dollars than they earn

buy their dollars for sterling from the United Kingdom control; this is how the so-called "sterling area dollar pool" works.

STERLING BALANCES

Sterling in the form of Treasury bills, bank deposits, and gilt-edged investments held by oversea countries and their residents (in both sterling and non-sterling areas). They constitute debts repayable in sterling on demand or short notice. Some people, therefore, prefer the expression "sterling debt," since they are debts from this country's point of view, and to describe them as "balances" is to describe them from the point of view of the countries which are their owners. Among the biggest owners of sterling balances are India (part has been passed over to Pakistan), Australia, New Zealand, Commonwealth banks and currency Boards, and the Middle Eastern countries (Palestine, Egypt, Iran and Iraq). South American countries have been large owners of sterling balances, but have spent a very large part in acquiring British-owned utilities in their countries. They were accumulated to a large extent during the war and increased substantially further in the year or two following the war, reaching a maximum of around £4,000 m. The total is now nearer £3,000 m. An appreciable part may be regarded as the balances which sterling area countries would ordinarily keep in London as their reserves. Part of the balances are blocked either by formal agreement or by gentleman's agreement and releases from them for current expenditure are controlled though the control is often not very powerful in practice.

STOCKPILING

This is the purchase by the United States for stock of raw materials which are not available or not available in sufficient quantity from its own resources. Mindful of experience in the war when the Japanese occupation of South-East Asia cut off from the allied countries nearly all their sources of supply of natural rubber, the United States decided in future to hold reserves of

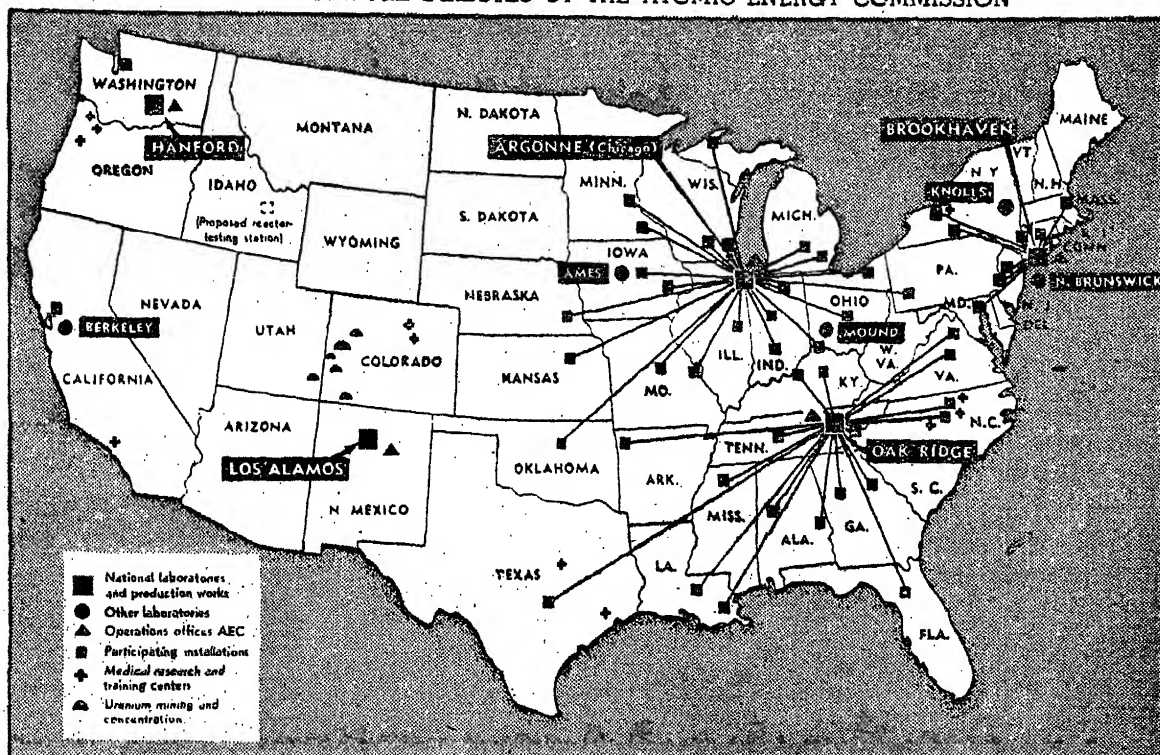
strategic raw materials. The most important ones are uranium, rubber, tin, and certain other non-ferrous metals. Article V of the Economic Co-operation Agreement between the United Kingdom and United States (under which the United Kingdom receives Marshall aid) binds the United Kingdom "to facilitate the transfer to the United States, for stockpiling or other purposes, of materials originating in the United Kingdom which are required by the United States as a result of deficiencies or potential deficiencies in its own resources..." In this context the "United Kingdom" includes the colonies. The article provides safeguards against wiping out British supplies of these materials or injuring British interests in their commercial export as a result of stockpiling purchases.

TRANSFERABLE

Refers to a system of exchange between currencies which stand somewhere between the "convertible" (into gold or dollars) and purely "bilateral" systems. Under the transferable system, one country and/or the nationals of that country—e.g., the Netherlands—may use sterling to settle their debts with another country or its nationals—e.g., Italy. They are allowed to transfer the sterling from Netherlands accounts to Italian accounts. But the privilege, whether complete or partial, is restricted to specific countries: the accounts of such countries are generally known as "transferable accounts" and the countries concerned as "transferable account countries." These countries may thus form a group of countries within which multilateral payments are possible within limits.

From "THE TIMES."

THE VAST NETWORK DIRECTED BY THE ATOMIC ENERGY COMMISSION



The New York Times.

There are 1,270 separate atomic facilities under AEC direction. Most are in the U.S.; a few are in Canada and the Marshall Islands. The major installations in U.S., are shown here. Oak Ridge, Los Alamos, Hanford, Argonne and Brookhaven are key production and laboratory centres. The lines radiating from Oak Ridge, Argonne and Brookhaven designate laboratories in universities under contract to the major research centres. The other laboratories are under AEC contract for research in special fields.

FINANCING OF UNDER-DEVELOPED COUNTRIES

At the request of ECOSOC a comprehensive, international programme of technical assistance for the economic development of underdeveloped countries was drawn up by the Secretariats of the UN and eight specialised agencies and made public on June 2, 1949. The urge for the adoption of such a programme came from the increasing realisation that unless the underdeveloped countries are fully resuscitated, the achievement of world trade accompanied by a high level of employment will be impossible. This belief is firmly planted, and rightly so, in the Western Powers. But, except for America, the other nations succumbed to the ravages

of war and in a measure they are helpless to pursue such a policy, for does not charity begin at home. They have to revivify their economy first, and so it is that the West and the East have turned their wistful eyes towards the U.S.A. The ECOSOC resolution followed a programme akin to that submitted by the UN for under-developed countries in what is known as the "Point Four" programme of President Truman. On the 13th September, 1949, the Fourth Annual Report of the International Bank for Reconstruction and Development was submitted wherein emphasis is laid on the expansion of production and improvement of the standard of living of the under-developed countries. The Report observes: "Full employment and the

effective utilisation of the resources of the more developed countries depend largely upon a continually expanding world trade; and increased production in the under-developed areas is one of the principal means to this end." Again, speaking on the eve of the opening of the Anglo-Canadian-American dollar talks, Mr. Snyder, Chairman of the conference, laid down three conditions for Foreign Governments wishing to receive assistance under President Truman's "Point Four" programme for encouraging such investment: (1) Reasonable terms for investors, (2) convertibility of profits into dollars, and (3) compensation if property is nationalised. Mr. Snyder hopes that the adoption of the "Point Four" programme under the said conditions would enable the under-developed countries to get dollar aid, thus mitigating the dollar gap in the sterling area.

Mr. Snyder observed that as the first stage in the rehabilitation of the war devastated economies had now been successfully completed, the United States would now concentrate on helping European countries and under-developed areas to help themselves. He said: "As the economic life of the underdeveloped areas improves, these areas will supply the world with needed products and will offer an expanded market for our products as well as for those of other countries."

So far as Mr. Snyder's statement and the I.B.R.D. report goes it is well on paper. They raise hopes of the under-developed countries and they are belated at the realisation of their needs by the more fortunate confreres. But they have to realise that their improvement depends more on their own efforts rather than any help from either the U.S. or the U.K. They may deem external monetary aid as necessary. But as the report rightly points out, "Money alone is no solution; in fact, loans for unproductive purposes or projects which are poorly planned or executed can be a positive deterrent." What the under-developed countries should see is that whether they are capable of




absorbing capital quickly and for productive purposes. The Report says that the Bank has learnt a lesson—the greatly limited capacity of the under-developed countries to absorb capital quickly. As far as India is concerned we find this to be true for our economy in the post-Independence two years has been retarded not by an inadequacy of capital goods but the insufficiency of internal saving. This would have been averted had the Government displayed more realism with regard to the pursuit of its economic policy.

The World Bank stresses on self-help of the under-developed countries if they are determined to improve their lot. That is to say, they must fully realise the obstacles to development and try to eradicate them. Low levels of education and help, lack of skilled and vigorous manpower, political and economic insecurity, the temptation to put more emphasis on short-term policies and quick results are some of the main deterrent factors for the sound development.

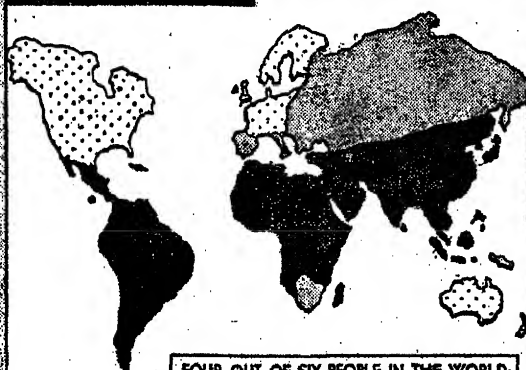
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POINT FOUR—THE BASIC FACTORS

POINT FOUR—THE BASIC FACTORS

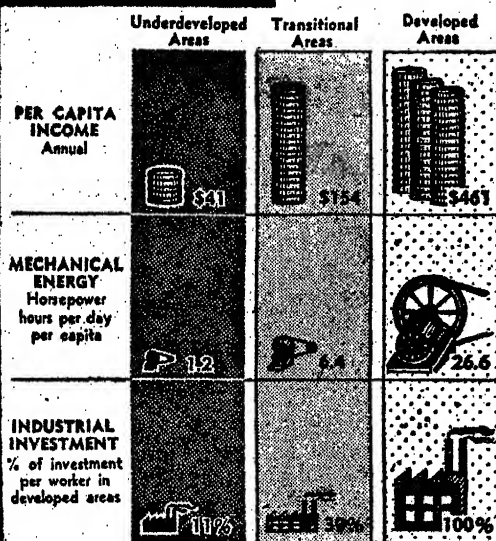
 Underdeveloped Areas—Population 1,565 million
 Transitional Areas —Population 389 million
 Developed Areas —Population 384 million

THE THREE AREAS

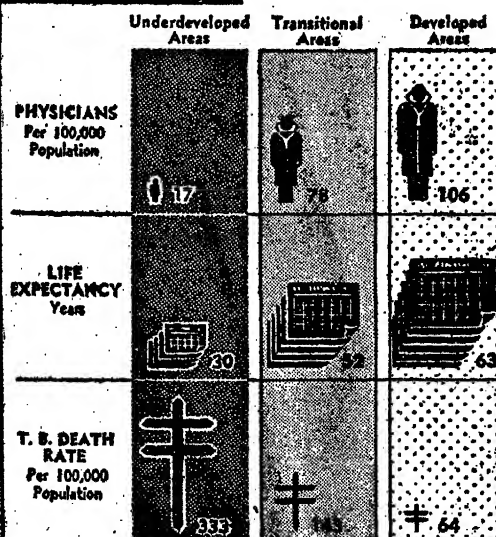


FOUR OUT OF SIX PEOPLE IN THE WORLD LIVE IN THE UNDERDEVELOPED AREAS

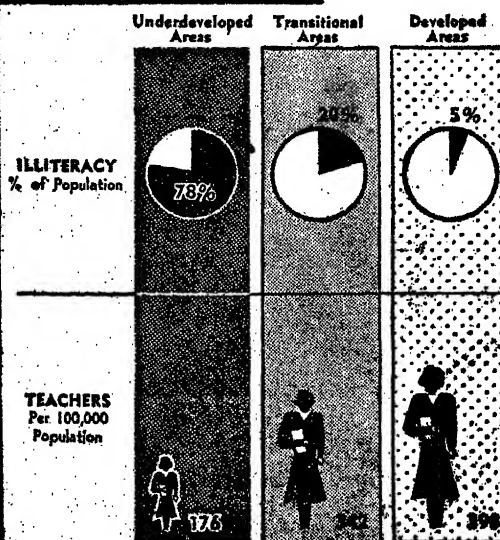
ECONOMIC FACTORS

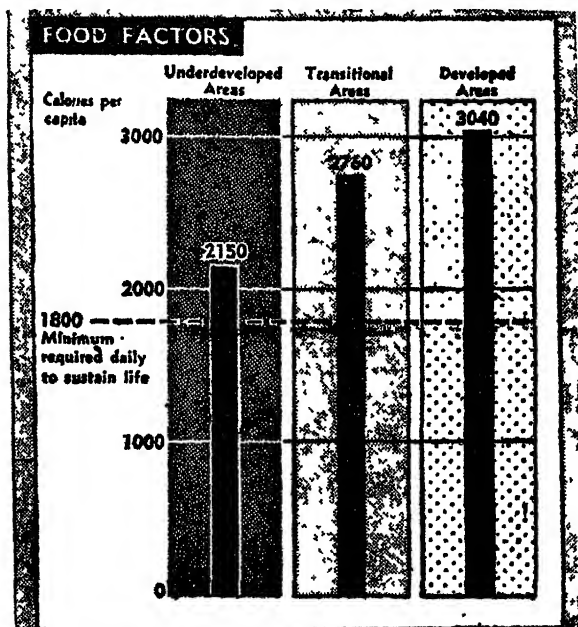


HEALTH FACTORS



EDUCATIONAL FACTORS





The New York Times

Another great difficulty is the limited domestic capital. The Report says: "All these difficulties underline the fact that under the best of circumstances, development is not something which can be sketched on a drawing board and then translated into reality simply through the provision of finance. If money were all that were required to bring development plans to fruition, the Bank's primary task would have been the relatively simple one of allocating its resources along various claimant schemes. However, the principal limitation upon Bank financing in the development field has not been lack of money but lack of well-prepared and well planned projects ready for immediate execution. Such planning inevitably involves time consuming and detailed work."

Three conditions are laid by the Bank for financial assistance: (1) The Bank must be convinced that the loan cannot be obtained privately on reasonable terms, and that there are reasonable prospects of repayment. (2) the loan must be for a sound and productive purpose. (3) Since the capacity of most countries to service additional foreign debt is at present limited, the Bank must satisfy itself that the object of the loan is of

sufficient importance to the economy of the country concerned to warrant incurring a foreign exchange liability to finance it.

The Report further points out that foreign development financing should preferably be derived mainly from private sources for it is only the sustained flow of private capital that can provide external finance in amounts sufficient to make a significant inroad on the world's development needs.

From what is said above it is clear that the I.B.R.D. thinks that international capital in any form can provide only a minor part of the capital required for the development of undeveloped and underdeveloped countries, and domestic investment should be encouraged. But if they could not raise the domestic capital to the amount required for a capital outlay, the International Bank is prepared to cater to their needs if they fulfil the conditions laid by it.

In this connection it is interesting to note the comment of Mr. Black on the relationship between the Bank and President Truman's famous Point Four. He says: "The Bank has been working along the lines of Point Four since it began lending operations. On most loans we not only make a careful check of all data available, but also send out a 'Mission' to make a searching investigation of the general economy of the borrower. We are interested not only in the details of the project as such, but also in the amount of skilled labour and technical knowledge at hand, and in all other local conditions which affect the soundness of our loans.....we want to be sure that conditions will be such that the development plan on completion will fit into the future progress of the country and will contribute to the long-term welfare of the borrower."

Coming to the actual working of the Bank during the year ending June, 1949, it has sanctioned ten loans, mostly to Latin American countries. \$34 Millions has been granted to India for the rehabilitation of her railways.

Several Bank missions visited member countries in Latin America. A mission visited Turkey to study her economic condition and to select suitable projects for financing by the Bank. Though the U.S.S.R. is a non-member of both the World Bank and the I.M.F., one of its satellites, Czechoslovakia is seeking the Bank's assistance for financing its development projects.

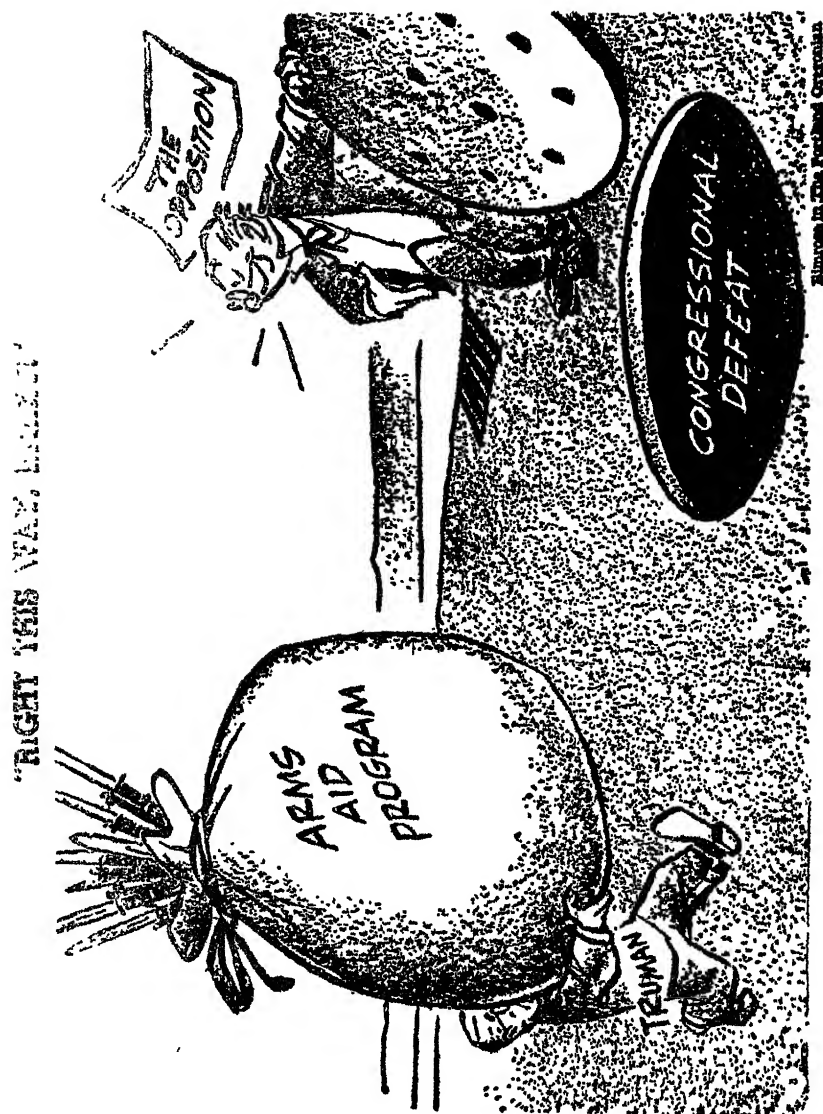
But it is rather depressing and disappointing to note that the Bank's extension of assistance has become significant by its insignificance. India is the only Asiatic country which has secured a loan so far, although Iran, Iraq and Lebanon have sought the Bank's help and have received its mission. The Bank thinks that it is not the lack of resources but the very fact of under-development that limits its capacity to help.

In the development of the backward areas by the Western Powers hangs a tale. It is a politico-economic policy. Nobody denies the beneficial influences of such a policy. But the way in which it has been exploited gives apprehension that the Bank's policy in collaboration with 'Point Four' programme is meant primarily to recoupe the European economy. India is getting a loan for the second time from the World Bank for clearance of weed-infested lands, to increase India's crop acreage, and a loan agreement has already been signed. The Bank is not as generous and prompt in lending to the backward countries as it is to the west; for, of the total of \$526.80 millions lent by the Bank from its inception to 30th June, 1949, as much as \$ 445 millions were allotted to France and the Netherlands. This stands a very poor comparison with the amount given to India. Again, in spite of the requests of the *more* backward countries of the East, they were not fortunate enough to get even a *dole* from the Bank. But the loans given to the West were for the mere asking and not against any specific development projects but on the broader principle like "the importance of the recovery of the Netherlands to the economic well-being of Europe

and of the World as a whole." Today it is rather vociferously admitted that the economic recovery of India is necessary for the well-being of Asia and the World. But look at the niggardly and too inadequate response given by the Bank. It is the sense of insecurity, more so politically than economically, in the Far East that makes the World Bank dubious of extending her helping hand there. would not be surprising. the Report of the Fourth Annual Meeting in these circumstances of showing marked partiality to the West, were to be received by the backward areas in a cynical spirit. We hope that in future the East would receive better treatment at the hands of this particular world organisation and the 'Point Four' programme would have its full swing. Otherwise, if things were allowed to remain as extant, economic discontent in the East may create more problems and the very fact of backwardness would cripple world trade and thus hinder world prosperity.

MISS R. VITTABAI NAIDU.

Block



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE International Bank for Reconstruction and Development recently granted a loan of \$. 10 million to India for the improvement of agricultural production. The proceeds of the loan will be used to finance part of the cost of agricultural machinery needed for the reclamation of lands infested with a weed known as kans grass, and for the clearing of jungle lands.

The loan is for a term of seven years and carries an interest rate of $2\frac{1}{2}$ per cent., plus commission at the rate of 1 per cent., which, in accordance with the Bank's Articles of Agreement, is allocated to its special reserve fund. Amortization payments, calculated to retire the loan by maturity, will start on June 1, 1952.

This is the second loan granted by the International Bank to India. On August 18, 1949, the Bank made a loan of \$. 34 million for the reconstruction and development of the Indian Railways.

The loan will help to increase production of grain and thus to reduce the food deficit which constitutes one of the most critical problems facing India today. Cereals are the basic food for her large population. In the decade preceding World War II, Indian grain imports ranged between one and two million tons annually. After the war the combined effects of partition and a series of bad monsoons have increased the food deficit, and the government has had to import annually between two and three million tons of grain since 1947. These imports have had a serious effect on India's balance of payments and foreign exchange resources, which instead of being used for the purchase of capital goods, were utilised to purchase grain.

The Government of India attaches the greatest importance to the solution of the food problem and has recently evolved an over-all programme aiming at the attainment of self-sufficiency in food. The amelioration of the food problem is basic to India's economic dev-

elopment. There has also been a growing realization of the effects of the increase in population at a current rate of approximately $3\frac{1}{2}$ million annually. The reclamation of lands infested with kans grass and the clearance of jungle lands, which the Bank's loan will help to finance, constitute an important part of the food production program.

The cultivation of kans-infested lands has had to be discontinued entirely or reduced to a low-level. Out of an area of 10 million acres in Central India which are known to be infested, the Government has surveyed 3 million acres which will be reclaimed over a seven-year period with the help of the Bank's loan. The method of reclamation involves deep ploughing with heavy tractors plough, and ancillary equipment.

Specifically, the Bank's loan will finance the dollar cost of the reclamation program, amounting to \$. 8,750,000 for the purchase in the United States of 345 heavy tractors, ancillary equipment and spare parts. The total capital outlay for reclamation and subsequent cultivation of these lands, the major part of which will be financed by India out of her own rupee and sterling resources, amounts to the equivalent of \$. 24,900,000.

It is expected that substantial quantities of grain from the reclaimed areas will be available to the domestic markets. Because of the high yields on the reclaimed land, a total of about 4 million tons is expected to be available to the markets, in addition to the farm consumption in the reclaimed areas, over the seven-year period. On the basis of the present low average of grain rations, one-half million tons annually would meet the food requirements of India's present annual increase in population.

To meet the need for increasing India's acreage of arable land, the Government has carried out experiments in jungle clearance. The clearance of jungle lands involves removing of trees, elimination of bush, ploughing and harrowing. The balance of the Bank's loan will help finance

a pilot programme for clearing about 100,000 acres of jungle lands in northern India. The loan will finance the dollar cost, amounting to \$. 1,250,000 for the purchase in the United States of 30 heavy tractors, ancillary equipment and spare parts. The Government of the United Provinces, where jungle lands will be cleared, will meet the costs of the construction of roads, housing and control of malaria, and other incidental expenses, the total of which cannot at this time be determined. This pilot program will enable the Indian Government to gauge the practicability and the cost of large-scale clearance of jungle lands with modern equipment. It will also make some contribution to India's food supply.

In addition to the loan granted, the Bank has completed technical investigations of an electric power development project at Bokaro in the Damodar River Valley, and negotiations for a loan to finance this project are already in progress.

After being previously approved by the Bank's Executive Directors, the Loan Agreement was signed by Eugene R. Black, President, on behalf of the International Bank for Reconstruction and Development, and by Vijaya Lakshmi Pandit, Ambassador for India, on behalf of India.

Black

Ten years ago a Nazi-Soviet agreement cleared the way for Hitler's attempt to rule the world.



KREMLIN ACCORD—The secret division of Europe from Baltic to Black Sea was signed after midnight by Ribbentrop and Molotov (at desk) in the presence of Stalin.

Economics—Theoretical and Applied

SOME WORLD ECONOMIC DISEQUILIBRIA *

I. INTRODUCTORY

THESE are days of specialisation, and in the heat of expert knowledge and technical methods, the elementary necessities of a "good life" are forgotten by nations as well as individuals. In the nineteenth century, Economics was considered as more or less a perfect deductive science with static equilibria governing aspects of economic life, consumption, production and distribution. Even a recent Economist like Alfred Marshall did not proceed very much further. He opined that socio-economic movements were within given frame works: the examples he gave were the sea-level and balls in the bowl. The inherent element of self-interest in man and competitive conditions were assumed as axioms in the society the classical Economists contemplated.

But things have changed enormously during the past two or three decades. Sound competition presumes perfect knowledge, perfect judgment and perfect freedom in every individual constituting a society. Mostly, post-mortem examinations were made and theories evolved on the basis of the past events, very often arguing from the effect to cause, but economists have of late realised that while all this was very nice from the viewpoint of logic and æsthetics, the reality in the world was quite different. Nowadays, Economics is considered much more a study of scarcity and a study of continually occurring disequilibria. Further, it has been realised that the economic motive plays but a very minor part in human affairs, and as such a synthetic view of the social science has been advocated. What is more, a study of man as he actually lives is being more and more emphasised. Economic

inquiries and institutes of economic research have sprung up in thousands all over the world.

II. POPULATION AND FOOD SUPPLIES

The present population of the world is estimated at about 2,320 million, increasing annually about 20 million on the average. Many population experts are afraid of overpopulation in Asia in the future. In Asia and Africa, 60 per cent. of the total human population has been locked up. Practically vacant continents like Australia, Canada and Africa are not open to Indian or Japanese emigrants. The net increase in the world population has been worked at about 2 for every 3 seconds; Sir John Russel said that it may become 3 for every 3 seconds as a result of better medical aid. 60 per cent. of the human population is in Africa and Asia and surplus countries in foodgrains are Australia, Canada, U.S.A. and Argentine. Russel further says that the old continents of Africa and Asia cannot normally expect to import much from these food producing areas because the former have little to pay in return for the import of food-grains. Sir John Russel goes further and says that in order to develop the resources of certain backward areas, White Enterprise would be necessary. A recent author in Australia, sympathising very much with the Asiatics, said that the right thing to do would be for more and more Australians to go to Asia and teach the people there better methods of living, etc., instead of Asiatics emigrating to Australia. The Malan policy in South Africa has been universally recognised as one intended for maintaining cheap labour for European exploitation, but every big power is practically winking at the suicidal policy of that Government.

With regard to food supply, the total area fit for cultivation is estimated at 11,000 and 12,000 million acres, out of a total area of 35,700 million acres, giving about 5 acres per head of population, but actually only $1\frac{1}{2}$ acres are being

* Summary of an Address delivered to the Hyderabad Banks and Insurance Companies' Association on 18th October 1949.

utilised. No one is able to explain why the balance of $3\frac{1}{2}$ acres per head of population is lying unused even after several thousands of years of human enterprise on this globe.

International migration is at the minimum and yet we speak of quite a large number of Charters like the Atlantic Charter and Philadelphia Charter.

III. CAPITAL

In her imperial days, Britain accumulated over £. 3,000 million of overseas investments earning for her much above £. 200 million per annum. The two World Wars have practically ended these investments. What is more, Europe, once the nerve centre of industrialisation, has become devastated, and just a beginning is being made towards rehabilitation through the Marshall Plan. But why the Marshall Plan is not being extended to other countries with greater potentialities and greater needs is not at all clear. Only very recently, President Truman put forth his Point Four for technical aid to under-developed countries, and there is a great deal of hitch about the U.S.A. spending about 200 million dollars on this kind of work. At the same time, the Federal Government in U.S.A. has already begun to appropriate 1814 million dollars for military aid not only to the West European powers, but also to countries like Greece and Turkey.

The International Monetary Fund and the International Bank for Reconstruction and Development have begun with very exalted objectives, but, in reality, their hands are closely tied, first, on account of the unilateral operations of the big powers, secondly, due to very limited resources, and lastly, the International Bank has given an advance of about 4 million dollars to Yugoslavia and Czechoslovakia, hedged in by numerous conditions—the most important being that these countries should develop trade with the West European Countries. The E.C.A.F.E. has pointed out that investment on sound lines in the countries

covered by that organisation may easily exceed several billions of dollars, but apparently no notice has been taken of this by King Dollar. It passes one's understanding how multilateral clearing and maximum international trading can possibly go on on a long-term basis as among countries with excessive over-capitalisation and tubercular under-capitalisation. It is true that there are difficulties in capital crossing frontiers. In the case of nationalisation, due compensation would have to be paid to the foreign proprietors. The level of taxation—actual and potential—varies in different countries and capital is always shy of migrating to countries with high taxation. Further, there are other fears like the limitation of dividends and continual devaluation. But these are only passing difficulties, and provided the concerned Governments are serious, they could be successfully encountered, and a beginning could be made in properly harnessing the huge resources endowed by Nature to man.

IV. NATIONAL AND INTERNATIONAL ECONOMIES

Practically in all international documents dealing with Economics, national interests are given pride of place, but actually, it is impossible to draw a dividing line between national economics and international economics. Nowadays, we find the U.S.A. busy in China and Turkey. Britain is busy in the Middle East and China. In the name of "national interests," several nations have taken to restrictive and discriminating practices, but these cannot be resorted to by countries like the U.S.A. and Switzerland for the apparent reason that they have favourable balance of payments. Developments after the Havana Charter, have been much more on the negative side than on the positive. Numerous countries have agreed and are agreeing to lower their tariff walls against one another. As I mentioned on another platform a few days ago, world production has increased between 10 per cent. and 15 per cent. nowadays compared to 1935-38 but the quantum of international trade has declined—practically

all countries being debtors with exceptions like U.S.A. and Switzerland.

V. FULL EMPLOYMENT AND MAXIMUM INTERNATIONAL TRADE

Full Employment means to have more jobs than men. Population is increasing and therefore a country aiming at full employment must provide more and more jobs continuously. This concept is quite contrary to the concept of the Trade Cycle with booms and depressions occurring alternately. Normally, the domestic market is the most substantial and reliable for every country and therefore the connection between full employment and maximum international trade is at best very hazy. What is more, countries like U.S.S.R. and U.S.A. are deliberately maintaining low level external balances whereas countries like Britain are planning for raising and ever raising the level of external balances thus compelling in practice other countries to supply raw materials or foodstuffs and to buy British manufactures—good or bad, costly or cheap.

VI. THE PRICE STRUCTURE

In the recent Devaluation epidemic, variations in the price structure as between the Dollar and the Sterling areas was given out to be an important cause. The index of prices in the U.S.A. was said to be 175 whereas the same figure in Britain was given out to be 210. If mountain cannot go to Mohanmad, Mohammad must go to the mountain: If Britain cannot lower her prices by better technique and more honest labour, she has sought it expedient to resort to a backdoor method like Devaluation. As Nature has given it, resources of different countries vary very widely, and costs of production have never been tending to even a similarity, on account of numerous local peculiarities: it would be impossible for India to produce sugar so cheaply as Mauritius. But still, Economists talk of variations in price structure and the necessity for the adoption of countervailing measures.

VII. THE STANDARD OF LIFE

It was estimated recently that the calorial value of food consumption per capita in the U.S.A. was 3,450, in the U.K. 2,880 and in India less than 1,000 whereas the minimum requirement is said to be 2,500 to 2,600 calories. Here in India, a target is being proclaimed for self-sufficiency in foodgrains by the end of 1950—probably on a maximum allotment of one pound of foodgrains per head per day: nothing is being said about other requirements. In Britain on the other hand, the consumption per head per day has been 12.5 ozs. of bread and flour, 13 ozs. of milk and 12.5 ozs. of potato, making a luxurious total of 38 ozs. per head per day, and this is apart from numerous other items like vegetables, fruits, butter and various "miscellaneous" items. In 1947, Britain spent nearly £. 500 million on subsidising prices of essential articles, and that was the year in which that country had £. 675 million of unfavourable balance of payments.

Where do we stand in India? In a recent broadcast, the Governor-General made a fervent appeal to the labourer (both urban and rural) for investments through National Savings Certificates. In the course of that appeal, Shri Rajagopala Chari declared that the standard of life in India had been raised. Investment implies savings, but one does not know how many millions in India are below the physical margin of subsistence. It cannot be denied that there are at least thousands of cases in India in which women take to prostitution sheerly on account of under-feeding or starvation. On top of this all, comes Mr. Chandra, advocating "Miss a Meal" for a week. I am reminded of Tony Lumpkin in "She Stoops to Conquer" by Goldsmith when he says:

"When Methodist preachers come down,
Appreaching that drinking is sinful,
I wager the rascals a crown,
They always preach best with a skinful."

The matter of fact is millions and millions in India miss not only one meal a week, but much

more than that—not on account of sympathy with the difficulties of the Government of India in importing foodgrains but on account of low earnings and high food prices. The per capita income has been estimated at over 1,500 dollars in New Zealand, 500 in Britain and at the most 50 in India, and still we talk of free trade, an international division of labour and that “labour is not a commodity but a prerogative.”

VIII. MULTILATERALISM AND SELF-SUFFICIENCY

Ever since the victory in World War II, the United States have been proclaiming to the four corners of the world, the virtues of multilateralism as a means for raising the human standard of life all round. At the same time, that country is not backward in maintaining tariff walls not based on the principle of international division of labour but safeguarding local vested interests. Here in India, we are clamorous about growing enough food, enough jute and enough cotton. Not only this. We also want to produce our own machine-making machines. How far the ideals of multilateralism and of self-sufficiency can be reconciled is a matter nowadays much more for Charter-writers than for practical administrators.

IX. THE GOLD CRAZE

The U.S.A. is holding over 2½ billion dollars worth of gold. Non-monetary gold in India is still unfathomable. The gold with the Reserve Bank of India is still being valued at the gold par of the pound sterling in the gold standard days. The market price of gold in India is being maintained at a much higher rate through the connivance of the Government of India than the parity price. A leading legislator has suggested that, with a view to tempt the ryots in India to deliver all their surplus produce, the Government should pay in gold. Lakhs of rupees worth of gold are being imported into India in the intestines of the nationals of the Holy Land. The gold diggers in South Africa have been the loudest in complaining of losses, and at the same time have been successful

in declaring the fattest of dividends. There was a time when India was called the “eternal sink of gold.” To-day, the United States have not only taken the place of India, but have become much more superstitious. The latest prank of this Shylock is the issue of fine gold in bottles containing a few ounces each—for the buyer to use it as an ornament or a piece of furniture.

X. ECONOMIC WARFARE

In a recent issue of *New York Times*, the famous cartoonist, Low, has pictured an insight into financial deep waters through “Crip-soscope.” *Among the animals at the bottom, he has shown the Devaluation Devil Fish. Tariff walls at discriminating rates, bilateral agreements, prohibitions, quotas, subsidies and competitive depreciation are the numerous instruments of economic warfare that were nurtured during the last two decades. Repudiation of debts (as by Russia) and repatriation of foreign capital (as in Mexico) are other potential instruments at the disposal of countries following “beggar my neighbour” policies. These and such instruments are much more powerful and dangerous than the A-bomb.

X. CONCLUSION *

What is the objective in State policy? Is it Exchange Stability, Price Stability or Social Stability? Britain is proceeding one way for her own reasons and India is following the same way for reasons other than her own: I refer to the Devaluation of the rupee. By sticking to the pound sterling, India has declared for intensifying social misery in this country. Generally speaking, there are three blocs in the world—the American bloc standing for capitalism and free enterprise, the sterling bloc championing the concept of a Welfare State based on competitive foundations, and the Socialist State led by the U.S.S.R. There can be very little common ground as amongst these in matters of Economics: the pre-tax pound and the tax-free rouble have got to be understood in quite different ways.

* See page 957.

To sum up, the world to-day is suffering from a much larger number of disequilibria than at any time in the past. Humanity has become none the wiser after the two world wars. Pandit Nehru said in New York, "Half of mankind were still slaves." The matter of fact is that nearly 4/5th of humanity are still slaves. There have been both bloody and bloodless revolutions, and they have brought no relief. Economic imperialism obtains not only internationally but even internally. The horizon is beset with very dark clouds, with no silver lining. Perhaps the only hope is that the grabbers will remember the oft-quoted story: "Two goats proceeded in opposite directions on a bamboo bridge. If they co-operated, each could go its own way by one sitting, the other climbing over. If they fought, both would tumble down into the stream below perhaps breaking the bamboo bridge also in the process of fighting."

Is this world a cosmos or a chaos? The movement of the Sun and the Moon, of winds and rains, of radio-electric waves—these signify that Nature intended this world of ours to be a cosmos—with order and progress as characteristics. But man is still behaving in a sub-human way and we are rolling in a dimensionless chaos.

S. KESAVA IYENGAR.

PERFORMANCE OF THREE AIRLIFT PLANES

Each Flying 4,500 tons into Berlin over 30 days period

	C. 74	C. 54	C. 47
Trips ..	5,400	13,800	39,706
Flying ..	16,200	42,888	158,824
Crews (@ 90 hrs. mo) ..	180	465	1,765
Aircraft ..	68	178	899
Maintenance ..	2,700	4,674	10,588
Gasoline ..	6,804,000	8,577,600	14,294,000

Factors: 3.4 Tons for 4 hrs. round trip by C. 47; 9.7 tons for 3.3 hrs. round trip by C. 54; 25.0 tons for 3.0 hrs. round trip by C. 74.

The chart shows how enormously the cost of the airlift in planes, men, fuel would have been cut had enough C. 74's been available.

1. In several parts of the world, petrol is not available for conveying dying patients to hospitals. Is this an example of the law of Distribution of Resources?

DISMANTLING OF STEEL FACTORIES IN RUHR

The three Western Foreign Ministers definitely rejected the possibility of suspending dismantling in Western Germany when they met recently in Washington.

The whole question of whether to remodel the dismantling programme following the setting up of the West German Government was reviewed by Mr. Dean Acheson, Mr. Ernest Bevin and Mr. Robert Schuman who decided against any present change of policy.

2. Is this an example of technical specialisation and maximum use of plant and machinery?

'NO BED OF ROSES'



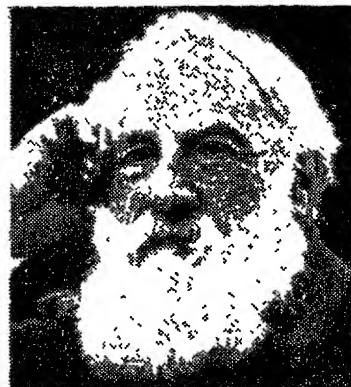
A HALF-CENTURY OF SOCIALISM. EACH PLAYED A VITAL ROLE IN THE ROMANTIC EARLY DAYS



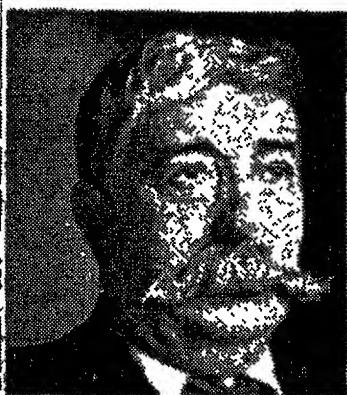
Robert Owen 1771-1858. Reformer, working with Jeremy Bentham. Converted his cotton mills into a philanthropic trust



William Morris 1834-1896. Already famous as designer and poet, became a pronounced Socialist, fervid in his sympathy with poor



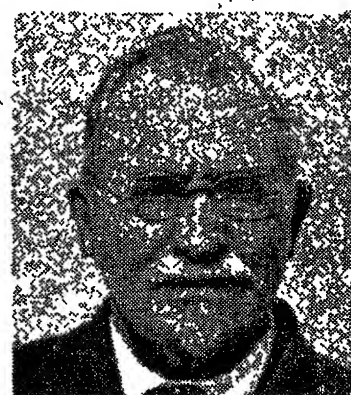
H. M. Hyndman 1842-1921. Wore top hat, frock coat though he was the founder of Social Democratic Federation, militant Marxist group



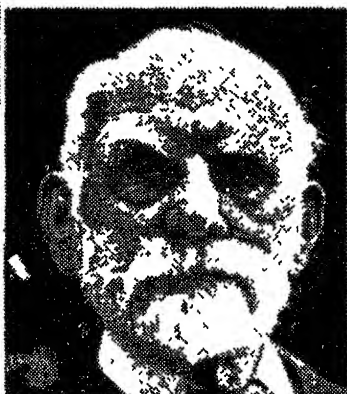
Jim Connell 1882-1929. Irishman, one-time farmer, docker. Said he was "educated under a hedge." Wrote "Red Flag" words



Keir Hardie 1856-1915. First of all Socialist M.P.s was defeated in Mid-Lanark 1888. Later was M.P. for West Ham and Merthyr



Tom Mann 1856-1941. An "aggressive, powerful orator," joined with John Burns in the historic sixpence-an-hour 1889 dock strike



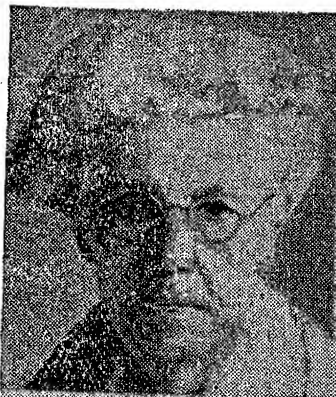
John Burns 1858-1943. First working class M.P. to reach Cabinet Rank as President of the Local Government Board



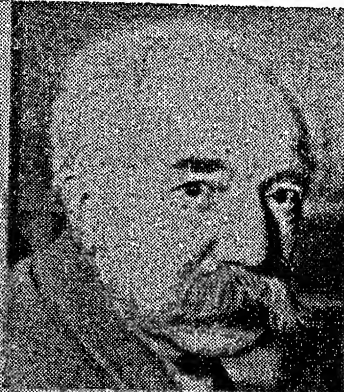
Beatrice Webb 1858-1943. Wife of Sidney. With her husband she wrote history of trade unionism, argued for break-up of poor law



Sidney Webb 1859-1947. Great Fabian. President of the Board of Trade. As Lord Passfield, Secretary Dominions; later Colonies



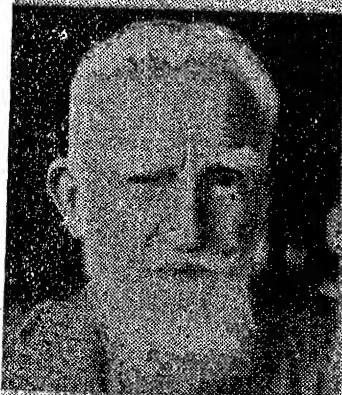
Annie Besant 1847-1933. Theosophist, former Freethinker. Established Indian Home Rule League. Founded Hindu college at Benares.



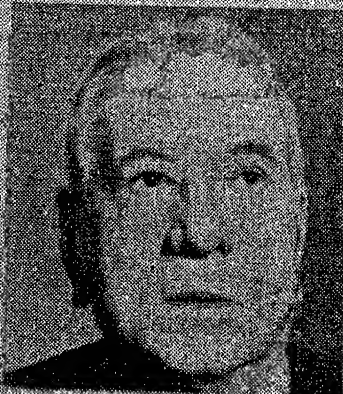
Robert Blatchford 1851-1943. He was in turn brushmaker, soldier, clerk, journalist, writing as "Nunquam." He founded *Clarion*, 1891.



R. B. Cunningham-Graham, 1852-1936. M.P. for North Lanarkshire, 1886. In 1888 helped to form Scottish Labour Party.



Bernard Shaw 1856-. On executive of Fabian Society, 1885-1911. In 1904 Francis Williams writes of Shaw: "Gay and arrogant logic."



Will Thorne 1857-1946. Present at foundation of Labour Party at the Memorial Hall meeting. M.P. for Middlesbrough for thirty-nine years.



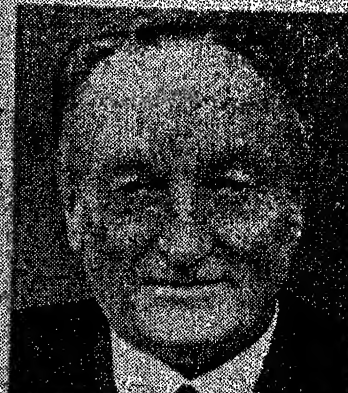
Bob Smilie 1857-1940. Shipyard worker, miner. As president of Miners' Federation led 1912 strike, gained national minimum wage.



George Lansbury 1859-1940. M.P. for Bow for twenty years. Was the first Commissioner of Works in Labour Government of 1929.



George Barnes 1859-1940. General Secretary Amalgamated Society of Engineers, 1894. M.P. for Blackfriars, Glasgow, 1906-1922.



Ben Tillet 1866-1943. Brickmaker, bootmaker, sailor. Organizer of the great dockers' strike in 1889 and of transport workers, 1911.



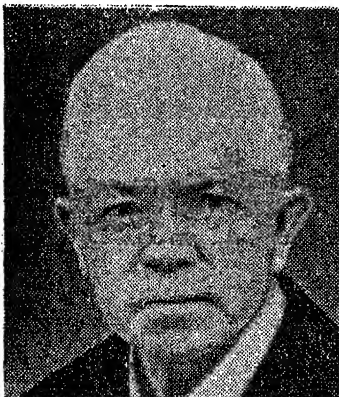
Arthur Henderson 1863-1935. Home Secretary in first Labour Government, 1924. President World Disarmament Conference.



Philip Snowden 1864-1937. Member of first Parliamentary Labour Party. Chancellor of Exchequer in 1924 and 1929. Viscount 1934.



Ramsay MacDonald 1866-1937. From January to November, 1924. Premier and first Secretary of the first Labour Government.



J. R. Clynes 1869-. Thirty-five years an M.P. Food Controller in 1918; Lord Privy Seal, 1924; in charge of Home Affairs, 1929-31.



Margaret Bondfield 1872-. Member of Labour 1929-31; was first woman to enter Cabinet. "Calm, common sense," says Williams.



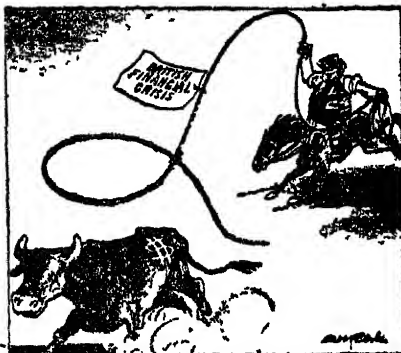
J. H. Thomas 1874-1949. Twenty-six years M.P. for Derby. Colonial Secretary, 1924; Lord Privy Seal, 1929; Dominions Secretary, 1931.

from "ILLUSTRATED."
October 15, 1949.

AS AMERICANS SEE IT.



He block in The Washington Post
 "Too bad we can't lock them in a room together, too."



Rodeo
 Burck in The Chicago Sun Times



"Common Problem"
 Crawford in the Newark News.

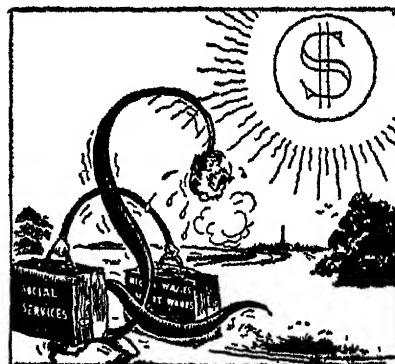
AS BRITONS SEE IT.



sky in The Daily News Chronicle London
 "They don't like my To be or not to be soliloquy"



Walker in The South Wales Echo and Express Cardiff
 "Keep your eye on your own ball, John Bull"



Hingworth in The Daily Mail London
 "Feeling the heat."

Money, Banking and Insurance

HYDERABAD CO-OPERATIVE DOMINION BANK LTD.

A YEAR OF PROSPERITY AND PROGRESS

The thirty-fifth ordinary general meeting of the above bank was held on the 18th November 1949, when Mr. Rai Dilsukh Ram, President of the Bank, presided.

The President in the course of his speech said :-

It is indeed a matter of great gratification that, in spite of the unsettled conditions during the first quarter of the year and the subsequent stringency of the money market, coupled with a recession of resources, the profit for the year is O.S. Rs. 1,52,871-6-1, which is about O.S. Rs. 2,536 more than that of the previous year.

RESERVES AND INVESTMENTS

You will also have noted that as against the paid-up capital of Rs. 8.25 lacs, the Bank has reserves to the extent of about Rs. 11.13 lacs, which is about 1½ times the paid-up capital. These reserves are after making necessary adjustments towards the Bank Buildings, Furniture and Fittings during last year. Such reserves, you will agree with me, have in no small measure contributed to the Bank's inherent strength and stability.

INVESTMENT

Investments of the Bank in gilt-edged and other securities amount to Rs. 64.5 lacs which works out at well over 60 per cent. of its demand and time liabilities, and this indicates the fluid position of the Bank's investment.

DEPOSITS, ETC.

Our deposits have risen during the year under review, from Rs. 68.93 lacs to Rs. 1.07 crores. This is clear evidence of the confidence which the Bank has been enjoying in an increasing degree amongst commercial co-operative and investing circles.

ADVANCES

It is also satisfactory to note that our advances to the Co-operative movement are higher. This

being the Apex Bank of the co-operative movement in the State we have felt that advances should be made only to co-operative institutions and we have also felt that loans to private individuals should as far as possible be discouraged. This will help other co-operative institutions to their own part in their own fields.

BRANCHES IN DISTRICTS

With a view to serve an ever increasing desire from various directions to open sub-offices and branches in the State, your Board has been seriously giving its due consideration to open such branches or sub-offices at such places of commercial and agricultural centres in districts where banking and credit facilities are not available to the public and in particular to the rural population. To develop banking habits in rural areas so that thrift may be inculcated, it is being more and more recognised that co-operative Banks can play an increasingly useful part. Such banks having branches in small towns and taluqas are better qualified to come into direct contact with the villagers. The chief discouraging factor in the establishment and successful working is technical personnel. This Apex Bank, possessing as it does, a highly efficient and qualified administrative machinery, can very usefully extend and expand its activities and provide credit to all organisations engaged directly and indirectly in nation-building activities by opening branches.

LAND MORTGAGE BANK

To relieve rural indebtedness, it is essential that a Co-operative Land Mortgage Bank should be immediately established in the State, and I stress to the Government, that in view of the successful working of such Land Mortgage Bank in Madras and Bombay Provinces, it should give its serious consideration to establish a similar Co-operative Land Mortgage Bank in the State. We on our part are only too willing to associate this apex institution in the formation of such bank.

AGRICULTURAL FINANCE CORPORATION

While the establishment of a Land Mortgage Bank will eradicate rural indebtedness to a large extent, the need for financing on long-term basis, all efforts to increase the productivity of land lying fallow by intensive and extensive modern agricultural methods is essential.

To provide finance for such purpose, an Agricultural Finance Corporation should be floated on co-operative movement in general, and the agriculturists, in particular will certainly get an impetus if any such institution actually can take birth in Hyderabad. We urge on the Government the need for the immediate flotation of such a corporation.

The Bank has been advancing loans for house building purposes to Government servants and even in spite of heavy advances the dearth and acute shortage of houses has not been mitigated. You will agree with me when I say that to alleviate the difficulties of the poorer classes, the Government should, through the agency of the Hyderabad Co-operative Dominion Bank Ltd., advance funds for construction of houses on co-operative basis. The Dominion Bank has tried its best to help such schemes, and even in spite of its sincere efforts, finds it extremely difficult to lock up its funds in long-term loans. Its loanable resources are after all limited. It is the Government which should help these schemes and I emphasise that the Government should invest some of its funds with the Dominion Bank to be advanced to such Co-operative Societies which have colonising schemes or house building societies which would eventually go a long way in improving the standard of living of the common man.

The public are taking a greater and greater interest in the co-operative movement. It is increasingly being realised that the spread of the co-operative ideologies is the only solution to the economic evils besetting the world.

In this connection, the attention of the shareholders and the public is drawn to a thoroughly discussed matter in the All-India Co-operative

Banks' Conference at Bangalore in May 1949 last, that a Ministry for co-operation and Agriculture has to be created solely for the purpose of acting as the Co-operative movement so that the interests of the agriculturists and the rural population may be catered to.

RESERVE BANK SURVEY OF ECONOMIC CONDITIONS IN INDIA

ANTI-INFLATION MEASURES

RISE IN PRICES HALTED

THE Reserve Bank of India made a profit of Rs. 9.06 crores during the year ended June 30, 1949, as against Rs. 10.88 crores in the previous year, according to the report of the Bank's Central Board of Directors for the year, which was released recently.

After setting aside Rs. 10 lakhs for payment to shareholders by way of dividend at the rate of 4 per cent. per annum for the period from July 1 to December 31, 1948 (the Bank was nationalised on January 1, 1949), the balance of Rs. 8.96 crores is to be paid to the Government of India.

In addition on account of the Bank's activities the report gave a survey of the economic, financial and banking conditions in India during the accounting year.

The overall picture of Indian economy "does not show any appreciable improvement as compared to conditions twelve months ago," the report said in the concluding paragraphs headed "economic perspective." "With the reimposition of controls and the adoption of an anti-inflation programme," the report said, "the price-rise witnessed in the first half of 1948 has not only been halted, but to some extent reversed. Monetary circulation has shown considerable contraction during the year and inflationary pressure in general has slightly abated."

"Nevertheless, Indian prices and costs are still high. There are no signs yet of a revival of investment in the country. While gilt-edged securities have maintained their strength, the industrial share market has continued on

the downward course and the prices of some of the major industrial shares are now close to the pre-war level."

After pointing to the emergence of "a buyers' market" all over the world, the report referred to the steps taken by several countries during the year to curb inflationary developments as well as to achieve external equilibrium through export drives on the one hand and stringent controls on the other.

The progress of recovery in Asia, the report said, was exceedingly slow, and "in this background India presents a picture of great internal strength and stability. "Politically the integration of Indian States which has made it possible to evolve a uniform economic policy for the country represents a development which is of major significance. Many of the economic problems, some of them legacies of the war and some of partition, however, remain to be solved.

"Like the U.K., India needs larger production and larger exports. Production has improved somewhat during the year, but in some industries, such as iron and steel, for instance, we are still unable to make full use of our installed capacity. Shortages of capital goods and technical personnel are serious handicaps. Machinery imports have been on a fairly large scale during the last year or two, but they are small in relation to our needs. It is clear that a concentrated drive and co-ordinated action will be necessary to secure a substantial increase in production. Domestic investment has to be stimulated but this has to come out of increased real earnings, if further inflationary pressures are to be avoided."

The report referred to the "growing recognition abroad" of the need to make available capital and technical assistance to backward countries and concluded: "A freer and larger flow of capital to under-developed areas would seem essential not only for a solution of the problem of dollar scarcity, but for ordered economic and political progress of the world as a whole."

CENTRAL BANKING AND DEPRESSION

The trends during the last few months in the economic field in the world arena and specially in the U.S. Sector are being viewed with apprehended alarm. Wide, varied and conflicting were the views expressed by political and economic theorists. The recession that has set in in America is being thought to herald a new slump, as an indicator of a portending crash, and as a sign of impending struggle, the conflict between over-production and under consumption due to *artificial* causes which would ultimately lead to an abysmal economic situation. Many fear that the inevitable trade cyclic depression, the post-war economic crisis which follows a period of boom of war period has already set in, but unlike the last, this has only been delayed due to the action taken by the respective governments to prevent a retrogression.

The phenomenal organising and productive power of the U.S.A. which received a fillip during the war, and since then attained the height of its capacity, outdistancing any economy, had been received with appreciative admiration. But the admiration is not without scepticism. How long and how far this boom will last? If the economic tyre is going to burst (due to over-production), will it not have world-wide repercussions, being as it is a world power? What are the measures that the U.S.A. has taken and is taking to abort a crisis? The whole world has turned towards the U.S.A. in expectancy and great concern.

With the gross output of 148 billion dollars in 1948 (1939 prices), the U.S.A. had registered a per capita output which is more than 50 per cent., the 1939 output being \$90.4 billions. The estimated figure for 1949, although 5 per cent. lower than 1948, is yet enormous. And this alone is the main cause for the speculation regarding the materialisation of a slump. Basing solely on this 5 per cent. reduction in production, some claim that a depression has already set in, while others gravely ask, "when is it coming?" But the real question to be posed is, "Is there going to be a depression?" For, a five per cent. cut

or increase is but a natural concomitant, and every year we do not expect, much less is it possible, to attain the same result.

With the idea of the social service state emerged also the idea of central banking, though the conception of banking existed from time immemorial. Central banks transact business with no profit motive which markedly distinguishes them from the commercial banks. A Central Bank is the banker for other banks. Also it is the State bank. As such it is invested with the power of note-issue, looking after the interests and needs of the State and lending to the State. Having always its hand on the pulse of the State, it reduces the amount of currency when the pulse is weak and injects more when it beats strongly by various devices such as bank rate, note-issue and open-market operations.

But, like so many other things, in times of war Central banking is pushed aside. Then it has to conform to the 'freaks and fancies' of the state and succumb, however reluctantly, to deficit finance. For, a war when once begun, the nations involved in it think more of the nation as a whole and the political power than economics. With the cessation of hostilities and things returning to normalcy central banks once again try to recoup their position of importance. And the pledge of full employment policy by the premier states and the wide extension of governmental activity make the central banks play a role, though significant, yet different from that of the inter-war period.

During the inter-war period, Central banking wielded enormous influence. The Macmillan Committee spoke of a Central bank as being "called upon to keep the financial structure upon an even keel," and insisted that it must have power to control the expansion and contraction of credit by resorting to open market operations and rediscounting at interest rates fixed by it.

An analysis of the working of the Federal Reserve System in the U.S.A. and the Bank of England shows that the pursuit of cheap-money policy is effective only to a limited extent

Keynes also admits this in his 'General Theory' (1936), a view at variance with that expressed in his 'Treatise on Money' written in 1930. While Britain could not achieve stability in the bond market due to technical reasons, the U.S.A. has achieved a marked degree of stability in the bond-market. And the experience of the last two years suggests that greater stability in the bond-market might be a more useful achievement than ultra-cheap money.

What do we mean by a stable bond-market policy? It is the policy of maintaining interest rates at a steady low level. In the thirties of this century it was thought that a low rate of interest would give a stimulus to the capital investment which would pull the economy out of the unprecedented slump that had set in then. But the liquidity crisis of 1931 obstructed the adoption of such a policy. Businessmen lost faith in changes in interest rates as a quick working weapon, for this policy disturbed the market to a much more extent than it cured. The recognition of this truth manifested itself in the rise of the "stagnation thesis" in the U.S.A. Therefore, opinion is unanimous, and acceptance universal, that all things being equal, a "stable bond-market policy" should be adopted in times of peace as well as war.

The idea of governing the pace of the economy of the State either by raising or lowering the interest rate, popularly known as the bank rate, has receded into the background.

The theory that now dominates is that the interest rate should be kept steady and at a low level. To produce the desired effects in the economy, we have to resort to weapons other than the interest rate. If a boom has to be discouraged, then consumer credit has to be tightened, or lending for the stock market controlled, or any other suitable device adopted to meet that particular contingency while maintaining the interest rates within *very narrow* limits. (For it may not be practicable to have a fixed low interest rate.)

Writing on 'Central Banking' in the Quarterly

Journal of Economics, May 1949, Sayers points out the dangers in thinking of Central Banking in the obsolete, ineffective and narrower terms of the bank rate technique and warns against the adoption of the bank rate technique of the traditional English Kind. "The cardinal virtue of the Central Banker," as Sayers says, "is not conservatism in technique, but rather a disposition to discover novelties, and to be versatile in technique." His concluding sentence drives the point home in two pithy words; "they (Central Banks) must be precipient and they must be versatile."

HOW THE U.S.A. TRIES TO ABORT A CRISIS ?

Why the people are anxious to know whether the depression has already set in is due to the fact of increased unemployment, in addition to the 5 per cent. reduction in gross output. But it must be said to the credit of the U.S. government that the unemployment at present is only 8 million out of a labour force of about 62 million. The figure for 1948 was 2 million.

The U.S. is defending itself against a slump by new banking laws, tighter securities regulations, social security measures, federal spending programs, rigid wage rate policies, farm price supports and better home financing.

The financial and banking system is so constituted as to give scope for enormous expansion of private debt and it is relatively free from speculation. Further it has been strengthened and made more viable by the important reforms of the first New Deal Administration and bank deposit insurance is the most popular embodiment of these innovations. The securities market having been placed under external supervision has undergone considerable internal purification. The social security program along with the relief measures serves as an antidote to any economic downturn by supporting mass purchasing power.

The federal spending, ranging as it does from 1/5 to 1/4 of the national spending, serves as a base for expansion when need arises, and at the same time tries to stabilise the economy. Changes in popular thinking and the adamant

position of the Trade Union Organisations has resulted in the acceptance and adoption of a rigid wage structure which could prevent a slump from being gaining momentum due to reductions in general purchasing power. The agricultural price support program has put the U.S. economy in such a way as to have a safer balance between the industrial and agricultural income. In early 1948 and 1949 there were sharp breaks in farm prices, but this farm price support program exclusively prevented these breaks from disturbing the economy as in 1920. Under home financing, mortgage practices and treatment of defaults have been greatly improved.

Apart from these, the government's pledge to pursue a full employment policy for industry and agriculture, to launch long-range housing program, to develop resource and power to strengthen the world economy has mitigated the menace of a deterioration in the economy. But all these shade themselves off in the face of the *determined will* of the citizens of the U.S.A. to have *no more depressions* and the firm conviction that mass unemployment and misery can and *must* be forestalled.

With this view clearly in mind, the U.S. is pursuing a policy that would keep her economy safe. It is an acknowledged fact that the recent E.R.P. loan was embarked mainly to safeguard her internal economic stability though it would not fail to help the European economy. Past experience shows that the U.S. loans given with the best of intentions and with least burden were never repaid by the borrowers. Fully knowing this, still U.S. is prepared to give billions as gifts only to divert the onsetting of a crisis at home.

In India, however glaring may be the political achievements, the economic programs are criminally neglected. No doubt we have problems which the others do not have and we as free citizens are only two years old. But that does not mean that we should not pay attention to our economic problems and attempt solving them. The anti-inflationary measure

introduced last year, and the rationing system did not produce the results expected of them. Prices are soaring high, though in a few cases they have decreased. The Reserve Bank of India was till recently also the Central Bank of Pakistan, and it was nationalised only a year ago. We think that the trade cycle is far off to come. But a depression wherever it sets in will cast its shadow on India too. If America and Britain anticipate such a one (and wisely the U.S. has adopted measures to ward it off) it is the height of fancy for India to sit glum hoping that it would somehow escape from the clutches of a slump. We have always been playing second fiddle to the 'mistress of the seas.' Now it is not the 'mistress of the seas' that we worship, but the 'spiritual' inheritors of Britain. It is high time the government formulate policies to support the prices, specially the agricultural prices which touches the sensitive points at the very vitals of our economy. Apart from this, various measures should be adopted to bring about improvement and efficiency in fiscal, monetary and trade policies so as to secure the optimum economic facilities for the country.

MISS R. VITTABAI NAIDU.

HOW EXCHANGE RATES CAN BE STABILIZED

If the currencies of Western Europe can be made freely convertible at rates of exchange which vary only within very small limits, such, for example, as existed in the old days between currencies on a full gold standard, all the advantages of a single currency will be achieved without waiting for the political integration which is an essential condition of a completely unified currency.

Currency restrictions are forced upon the countries concerned by the difficulties which they experience in balancing their external trade. It follows that the restrictions cannot be removed unless the underlying difficulties are solved. For some of the countries of Western Europe the difficulties were beginning to develop before the war; for all of them, the war brought such impoverishment, such dislocation of pro-

duction and such a severance of the normal channels of world trade that a wide gap was left between (a) the cost of imports necessary for post-war rehabilitation and for the maintenance in the meantime of a reasonable standard of living, and (b) the proceeds of the sale of exports and other available means of payment for imports.

The natural reaction in any country which is faced with this deficit on its foreign trade is, on the one hand, to impose restrictions upon all imports which are not essential to the twin purposes of rehabilitation and the maintenance of reasonable living standards, and on the other hand, to encourage all possible exports. Unfortunately, this action by individual nations in Western Europe has had two undesirable consequences: (a) the shutting out by some countries of Western Europe of imports which they obtained traditionally from other countries of Western Europe, thus worsening the position of these latter countries, and (b) the development of bilateral trade agreements in which countries have sought to restrict their trade to countries which can both supply them with their trade and can also take in direct exchange the goods which the first country can export. This bilateralism is one of the worst features of the attempts by separate countries in Western Europe to solve their problems independently.

One of the conditions of aid under E.R.P. is that the countries of Western Europe should produce a joint programme of production and recovery designed to make the whole area ultimately independent of external assistance. Other conditions are: (a) that each participating country must take the financial and monetary measures necessary to stabilize its currency and establish or maintain a valid rate of exchange, must balance the Government Budget as soon as practicable, and must generally restore or maintain confidence in its monetary system; (b) each country must co-operate with other participating countries in facilitating and stimulating an increasing exchange of goods and services and in reducing barriers to trade,

The fullest co-operation in the European Recovery Programme is both the starting point of all immediate action for the integration of the economy of Western Europe, and the vital testing ground of the ability of the countries of Western Europe to achieve greater unity. If we fail in the immediate objectives under E.R.P. we shall manifestly fail to unite Europe.

FUTURE POSSIBILITIES

Although the agreement of programmes and plans under E.R.P. is only the first stage in uniting Europe, this agreement is thus a very significant indication of future possibilities and constitutes the jumping-off ground for the next stage. In this first stage monetary arrangements play an important role.

The aid received under E.R.P. will assist the recipient countries to balance their budgets. Only firm financial control within each country can, however, ensure that the budget is balanced and that the currency is not continuously inflated. No amount of co-operation or assistance from outside can be a substitute for this internal discipline. No complicated piece of financial jugglery or manipulation with the exchange can relieve a participating country of its duty not only to itself but to the rest of Europe to put its own internal finances on a sound basis.

Once the internal finances of the participating countries in Western Europe are stabilized, and in consequence, the dealings in their currencies can take place at stable rates of exchange the way is open to the next stage which consists of the removal of the more onerous of the exchange restrictions. The process can be carried on with full regard to the provisions of the Bretton Woods Agreement, and indeed the continuance of instability or the maintenance of currency restrictions beyond a period of emergency would be breaches of that agreement.

It could be argued that when we have reached the stage that European currencies are stable and are freely exchangeable we shall be back to the freedom which existed under the gold standard. That is true, but it does not go far enough. It is not sufficient that we should

go back to gold standard conditions of monetary stability. Such a system would still leave unsettled much of Western Europe's redevelopment problems which require large capital movements and would also leave Western Europe very vulnerable to recurrent trade depressions. One of the weaknesses of the gold standard, and it is a weakness which would exist in Western Europe if we stopped short at this stage, is that with the appearance of signs of a trade recession there is an irresistible tendency for each country unilaterally to take deflationary and protective measures which collectively have the opposite result from what is intended and turn the fear of depression into reality. It is at such times that freely exchangeable currencies at fixed rates of exchange result in an irreconcilable conflict between internal and external financial policy unless the internal financial policies of the countries concerned have been co-ordinated and reconciled.

What is needed is an extension over Western Europe of the best and more permanent features of the sterling area system—a system born of the instinctive desire of a number of countries to follow the financial policy of the one country which, at that time, promised a reliable system of financing foreign trade. The later restrictive developments of the sterling area are products of war difficulties and were unavoidable. It would be a mistake to concentrate on these restrictions and to forget the essential and permanent soundness of the sterling area system with its implicit co-ordination of financial policy.

Unquestionably much can be done in the earlier stages of European co-operation before attempting to co-ordinate the internal financial and economic policies of the participating countries, but in the long run, if capital is to flow freely to the areas where it can be most profitably employed and if the danger of individual action leading to the vicious circle of restrictionism and depression is to be averted, an attempt must be made to reconcile these policies.

Co-ordination will be necessary in, (a) budgetary policy, (b) long-term capital development plans, (c) the general levels of wages and prices, and (d) labour movements.

So far as budgetary policy is concerned, it is now well understood that the exact balance of each year's budget by each country is neither a necessary condition of financial stability nor necessarily desirable. In some years surpluses may be desirable to prevent over-employment and loss of efficiency due to the misdirection of resources which over-employment brings, in other years deficits may be desirable to prevent unemployment with its own forms of inefficiency and misdirection. But if one country of Western Europe aims at a surplus while another aims at a substantial deficit, then, in the absence of fortuitously compensating factors, it may be impossible to maintain the existing rates of exchange or the existing pattern of trade. Without an exchange adjustment there will be a tendency for exports from the second country to the first to become quite unprofitable, and for the exports from the first country to the second to expand embarrassingly. It is at this point that the danger of restrictive and protective action arises, and, whether the action is taken in the currency field or in the tariff field, it would be to the long term detriment of both countries. This is just one example of the long term need for co-ordination of general budgetary policy, which does not, of course, mean co-ordination of the details of the budget. Other examples can be drawn from the field of taxation, where inconsistent policies could lead to serious difficulty.

THE MODERN BUDGET

The modern conception of budgetary policy extends beyond the Government's own income and expenditure and embraces the economic and financial policy in its effect upon the whole economy of the country. Defence requirements, and the other heavy commitments of modern governments in such fields as social insurance, make it necessary to survey the utilization of the whole resources of the country and the

extent to which those resources are augmented by imports of foreign capital and depleted by the export of capital. Although co-ordination of these economic budgets and capital programmes of Western European countries is not essential for the realization of the immediate objectives of a United Europe, it must form part of the longer term plan if the economic resources of the area are to be developed on a continental basis and if financial stability is to be assured for any length of time.

PREVENTING WASTE

Co-operation in fitting together capital programmes could prevent the altogether wasteful diversion of resources to build excessive capacity for the same products in different countries or the erection of a number of small uneconomic units when one or two larger units well sited could give Western Europe lower costs and therefore greater economic power. This co-operation would need to extend to such matters as the common development of hydro-electric power and to the provision of capital by one country to another in an orderly fashion where it is demonstrable that investment in the second country is of mutual long term advantage.

When national budgets and economic budgets are reconciled, fears of a flight of capital or of other disturbances to the economy in one country by action in another will disappear because capital movements will have been allowed for in the co-ordinated programmes. Conditions will then exist for the fullest development of the industries and trade of Western Europe on modern lines and taking full advantage of local specialization. This specialization does not involve the wholesale uprooting of existing industries, but rather the gradual settling down of new or redeveloped industries in the most favourable places. In this way European competitive power can be enhanced by the improved location of her industries.

In the process of co-ordinating budgets and in reconciling financial policy as a whole, the

policy on the general level of wages and prices will, of necessity, have been covered. There must not be rising levels of wages (and prices) in one country and falling levels in another due to financial instability. A policy of overfull employment, which leads to an acute shortage of labour and to attempts at the direction of labour to essential occupations, leaves the government of a country very much at the mercy of individual groups of wage-earners, and such a country would be unable to enter into, or keep, commitments on wage and price levels. It follows, therefore, that such a policy is inimical to the success of co-operation in Europe. When financial policy has been co-ordinated it is probable that agreed development in one area rather than another will point to the need to allow movements of labour to take advantage of the new conditions. Without freedom of labour movements the full advantages of co-ordination cannot be achieved.

BUILDING CONFIDENCE

It may be asked whether financial co-operation on the lines indicated could stand up to the blasts of trade depression. The answer is that if enlightened co-operation of this kind removes one of the greatest causes of depression, and if confidence in a sound monetary system can be developed before the onset of depression, mutual understanding and concerted action should prove sufficient to prevent the member countries from taking those independent protective measures against each other which must always lead to deepening depression, and are obviously opposed to the long-term interests of each member, and of all members collectively.

S. P. CHAMBERS,

*From Report prepared for the
European Economic Conference, London.*

THE COINAGE TO-DAY

GREAT CHANGE-OVER FROM SILVER TO CUPRO-NICKEL

Gone are the shortages of coin of a year or two ago. In some districts bank vaults are bulging. The abundance of silver coin encourages the authorities to hope that rapid progress may now be made with the formidable task of

withdrawing from circulation the 2,000 m. silver coins struck before 1947 and replacing them with cupro-nickel.

The plentiful supply of coin is the result of 10 years of effort. Since 1939 the Royal Mint and the banks have had heavy calls on their resources and services. During the whole of the war years the Mint was subject to a heavy but varying demand for coin. There were curious results. Early in the war the output of farthings soared after the rationing of fixed-price foods and the change in tobacco duty. In 1940 the penny fare vanished from London and many provincial centres, and more half pennies were required. In 1940 the minting of pennies was suspended to conserve copper for munitions, and was not resumed for four years. In 1942, as a measure of economy, the proportion of tin in bronze coin was reduced temporarily from 3 per cent. to $\frac{1}{2}$ per cent.

As the war went on the florin became increasingly popular. Many people—especially R.A.F. paymasters—found this coin a useful unit on pay days. Mintings of the florin rose and went ahead of its keen rival the half-crown; not until 1948 did the half-crown come into its own again. All the time the increased number of wage-earners and service recruits, accompanied by rising prices, meant an ever-increasing demand for money in the purses of the public. Millions of women for the first time were being paid in cash. Additional staff was recruited at the Royal Mint and, breaking all precedent, women were employed.

Between 1939 and 1948 the Mint issued 1,290 m. silver and cupro-nickel coins with a value of £. 86,800,000, 392m. nickel-brass three penny pieces with a value of £. 4,900,000, and 1.110m. bronze coins with a value of £. 2,900,000. Included in these totals were about 240 m. farthings, 400m. sixpences, and 300m. shillings. This 10 years output consumed 3,000 tons of pure silver and some 15,000 tons of copper.

COIN IN GOOD SUPPLY

By 1948 £. 140m. of silver and cupro-nickel coin was in circulation, equivalent to 56s. a

head of the population, compared with 27sh. 4d. a head in 1938. The bronze and nickelbrass coin in circulation was £. 19m., which is 7s. 6d. a head of the population against 4s. 2d. in 1938.

Now the country is well supplied with coin. But the Mint and the banks cannot relax. They are only on the fringe of the greatest recoinage operation ever undertaken in this country. Nearly 2,000 silver coins struck before 1947 have to be withdrawn and replaced by sombre cupro-nickel coins.

The Government brought in their new Coinage Bill in 1946. This provided that coins formerly struck in silver—with the exception of Maundy Money—could henceforth be struck in cupro-nickel, an alloy three parts copper and one part nickel. Technically, the Bill did not abolish silver as coinage, but for all practical purposes the Bill meant that silver coins were to be replaced by cupro-nickel. The Government announced their intention of withdrawing all silver coin in circulation.

The general public, most of whom had no real interest in numismatics, heard the proposal with regret. It was a sentimental regret, because the silver coins had been only tokens ever since 1816, but the man in the street felt that the passing of silver, following the golden sovereign, into oblivion was to be regretted.

The Government's decision was founded on sound practical facts. Silver had become expensive. In 1939 it was 2s. an ounce; in late 1946 it was 4s. 7½d. an ounce. Silver for coinage was a heavy expense, especially as it had to be paid for in dollars. The rise in prices was due to many and complex causes. The war interfered both with production and with the normal distribution of silver. Demand at home had gone up, partly because of war-time requirements for coinage and partly because of the vastly increased use of silver for industrial purposes, especially in the photographic and electrical trades. Under the lend-lease agreement 88m. ounces of silver had to be repaid to the United States within five years of the end of the emergency, as decreed by the American President.

The Coinage Bill received the Royal Assent

on November 6, 1946, and the authorities planned an early start in the task of withdrawing the 2,000m. silver coins in circulation. The Civil estimates for 1947-48 provided for a withdrawal of £. 4m. A good start was made. In 1947, on June 30, the only day for which their coin holdings were officially published the banks held over £. 24m. silver. This was a record and showed an increase of £. 6,300,000 over the 1946 figure. This plentiful supply should have facilitated withdrawal, but the unexpected happened. In the autumn, complaints of a shortage of coin were heard first in the provinces and then in London. The causes of the shortage are still unexplained. It was said that silver was being hoarded by black marketeers and income-tax evaders who were changing large stocks of notes into coins under the strange delusion that notes might be demonetized but not coin.

The banks' holdings of silver continued to fall. Instead of withdrawing coin the banks were compelled to pay out again appreciable quantities that had been already withdrawn. By Christmas, 1947, the banks' holdings were uncomfortably low. The start of 1948 brought no relief. Usually, early in a New Year, much of the additional coin issued for Christmas spending flows back to the banks, but in 1948 there was no such reflux. On March 1, 1948, the Royal Mint began to work double shifts. By the summer the coin situation was greatly eased and before the end of last year scarcity had given way to abundance. But havoc had been played with the Mint's schedule of withdrawals. In the two years 1947-48 and 1948-49 only about £. 5m. had been withdrawn, against an estimated £. 11m.

HOW CASHIERS TELL

Today with an abundance of coin in the country the chances are bright again and it seems in coming months the rate of withdrawal will depend only on the energy of the banks and on the capacity of the refiners. To examine and sort 2,000m. coins is a stupendous task for the bankers. Cashiers have several ways of

distinguishing the silver from the cupro-nickel. The date is one means—no cupro-nickel is dated before 1947. Then the two types of coin differ slightly in colour. There is also a difference in the gauge of the milling. The silver coin is made up into bags of £. 100 and sent to the Bank of England, where it is re-examined, counted and weighed. In due course, under strict supervision it is taken to the refiners, who make from it ingots of fine silver—that is silver of a fineness not less than 99.9 per cent. pure. This silver is placed at the disposal of the Government.

The present withdrawal of silver is not in any way a calling-in of coin. It is a replacement. The Royal Mint accepts silver and gives in exchange cupro-nickel. This exchange is profitable, as each £. 100 received by the Mint contains silver to the value of £. 33, while the £. 100 cupro-nickel given in exchange has an intrinsic value of perhaps £. 4. The total net profit from the replacement may in time exceed £. 80m. but much depends on the future price of silver. Silver coin remains legal tender up to 40s. provided that it is not dated prior to 1816.

The present operation is different from that of the sixties when copper coin was withdrawn. It was in 1860 that the present bronze coinage was introduced. The cumbersome copper coins then current were called in and paid for at their face value. They were demonetized on December 31, 1869. An effort to reduce the bronze in circulation was made just after the 1914-18 war, when a heavy fall in prices had reduced the public's requirements for currency. In 1908 it had been decided that worn bronze as well as worn gold and silver should be withdrawn. In practice this decision meant little as there was an ever-increasing demand for bronze—whether new or worn. By 1922 only £. 138,000 had been withdrawn out of a total issue of £. 9m., of which £. 1m. at that date had been in circulation for over 50 years.

In 1922 the redundancy of bronze became a nuisance. The minting of pennies was stopped and to ease the position the banks were urged

to make the utmost use of the facilities for withdrawal.

"BUN" PENNIES

To expedite this withdrawal it was agreed that Victorian pennies of 1860 to 1894, showing the Queen's head uncovered—in other words, "bun" pennies—could be regarded as worn for this purpose. But the response was poor. The total issue of "bun" pennies was about £. 1,500,000 and even to-day, 89 years after their introduction, little more than one-third of them have been withdrawn. The glut of bronze was shortlived. The surplus was absorbed and in 1926 pennies were being minted again as freely as ever. Within five years another 200m. pennies had been struck.

The replacement now going on is the second step in the abandonment of silver as currency. The first was taken just after the first world war. In 1920 the price of silver rose to 89½d. an ounce, which meant that the shilling had a bullion value of 1s. 4d. The Coinage Act of 1920 was hurriedly passed and the silver content of coins was reduced from 92½ per cent. to 50 per cent. In 1920 there were about 1,000m. silver coins in circulation and these were all to be withdrawn. It was not until 1938 that the task was regarded as virtually completed. It was estimated that only 5 per cent. of the old silver remained in circulation and some of this was in "pockets" in rural areas, where coin seems to move without ever passing through a bank.

In one respect the 1946 Coinage Act is more explicit than the earlier Acts, since it definitely states of what alloy the coins are to be made, *i.e.*, cupro-nickel. The 1920 Act was vague. It reduced the silver content to 50 per cent. but, like the principal Coinage Act of 1870, it left the Mint to decide of what metals the other 50 per cent. was to be composed. It was not until 1927 that a satisfactory 50 per cent. alloy was discovered. Indeed, the coins struck between 1923 and 1927, which were composed of 50 per cent. silver and 50 per cent. copper, became so badly discoloured in circulation that

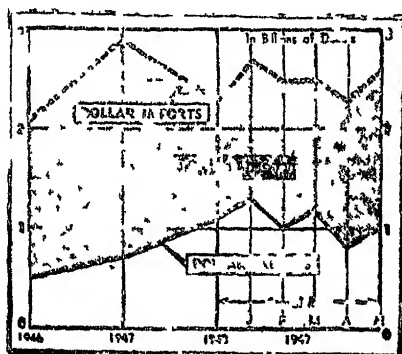
the Royal Mint, discharging its self-imposed obligation to keep the coinage in good condition, withdrew the bulk of the issue.

It will be at least 20 years before the present

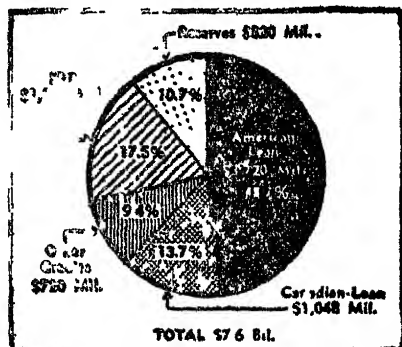
silver coinage hauls been substantially withdrawn and for very many years after that there will be a steady inward trickle.

R. J. MARTIN.

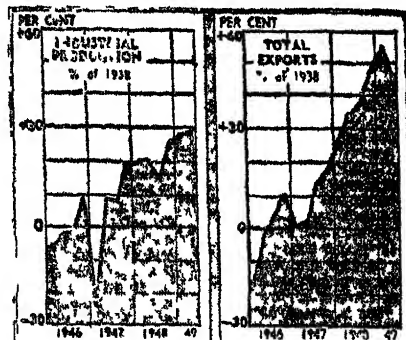
A. B. C. OF BRITISH CRISIS



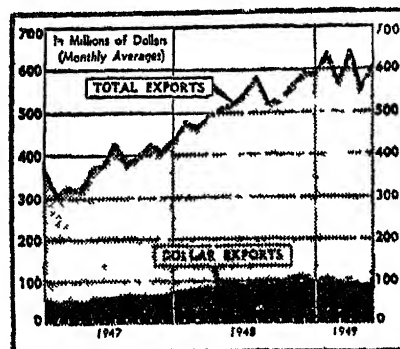
Britain must have American goods to live. She does not sell enough to America to pay for imports. The dollar gap, totalling \$7.6 billion since '45, is shown here:



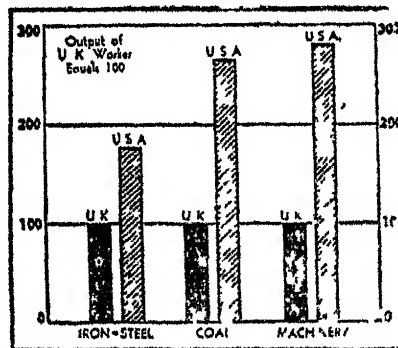
The dollar gap over the three and one-half year period has been made up by credits and by withdrawals from British reserves as the following chart indicates:



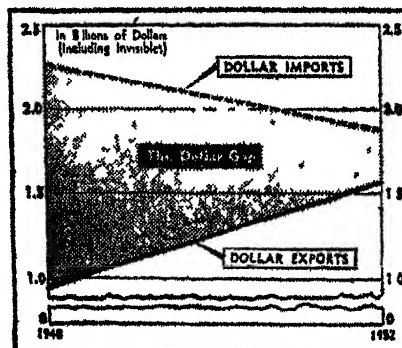
Britain has made a large effort to bridge the dollar gap. She has increased industrial output and overall exports vastly above 1938 as the following charts show;



But the U.S. view is that Britain has not done enough to sell goods to the dollar areas. This chart shows the lag in dollar exports compared with non-dollar exports:



Moreover the U.S. takes the view that British industry has not cut down production costs. This chart shows the production rates for American and British work:



One thing on which both sides agree is that if Britain is to overcome the crisis the trend in the relation between her dollar exports and imports must be like this:

From the New York Times,



SHIRTMONEY was used in ancient China as a symbol—Changed into coinage—of goods, once bartered.

DECADRACH-MA considered most beautiful coin made, was issued by Syriac in Fifth Century B.C.

DENARIUS, coin of Roman Empire, was debased by clipping and alloying it until it became worthless.

FLORIN, issued in 1252 by the city of Florence, was one of the few stable currencies of the Middle Ages.

THALER was minted by Maria Theresa, empress of Austria, and is still used today by traders in Africa.

BANK NOTES like this were early examples of paper money, which helped finance the American Revolution.

BRITAIN CUTS THE POUND

IN THE LATEST ACT OF AN ANCIENT DRAMA,
CRIPPS TAKES A GAMBLE FOR MORE DOLLARS

The extraordinary conversion of Britain's wry, lanky Chancellor of the Exchequer, Sir Stafford Cripps, to the doctrine of currency devaluation in last September gave a modern twist to one of the oldest tales of history: man's struggles with money. By devaluating the British pound from \$4.03 to \$2.80, Sir Stafford confounded his own teachings that devaluation would never solve Britain's problem and shook half the world. He took the step under the severest kind of pressure and with obvious reluctance; but he followed a classic tradition. Ever since the Greeks were hoisted out of financial trouble 2,500 years ago by the reforms of Solon, devaluation has served from time to time as a palliative for a nation's financial ills, some-



SIR STAFFORD painfully prepares to face London press after U.S. dollar talks.



SOLON reformed Greek money system in 594 B.C. by drastic devaluation and the ruthless cancelling of all debts and mortgages.



COSIMO DE MEDICI was the first of the famous Florentine tyrants who controlled much of Europe's trade in the Middle Ages.



JOHN LAW, first modern speculator, saved French currency in 1716 but wrecked it again by his Mississippi colonization scheme.



THE ROTH-SCHILDS were Europe's foremost bankers in 19th Century. Nathan Mayer (above) headed branch of firm.



SIR ROBERT PEEL in 1844 reformed English money. Most drastic step was introduction of paper money backed by gold.

times successfully by giving its production machinery a new, quick boost, sometimes ineffectively, in which case troubles, like the devaluated money, multiply.

The Greeks invented coined money 2,600 years ago as a means of facilitating barter, which had been carried out more or less clumsily by the exchange of actual goods. Almost immediately their new invention got them into trouble. Men began to accept the small bits of metal stamped with a city's or a state's mark as valuable in themselves—they began to manipulate with money, sometimes with good results in meeting changing conditions, sometimes for personal gain. Too many Greeks mortgaged themselves and their possessions; agriculture declined, money-lenders prospered and Greece became raddled with debt. On the verge of bankruptcy, Solon's iron-handed reforms saved the nation; but never since has any law maker dared use such drastic methods. The Roman Empire had no Solon long before it degenerated into collapse its currency was undermined by debasement and fraud. When Rome fell, faith in money as a reliable medium of exchange all but died out in the civilized world.

It was a long time coming back. Throughout the Middle Ages, when coinage was revived in the dozens of petty states and kingdoms dotting Europe, the money economy remained more a means of acquiring personal or national gain than a reliable form of trading. The intrinsic value of coins varied with the whims of the ruler issuing it; only a very few, such as the gold florin, which was backed by the wealth of Florence under the great trading family of the Medici were stable enough to be generally accepted for international trade. Following the rise of public debt largely due to Europe's many wars came the finding of the Bank of England in 1694 and a new concept in the economy of money which was to become dominant in modern times—the economy of debt.

In this development, money became increasingly a medium of exchange backed by credit.

The commercial banks began their rise to power; the destinies of nations lay in the hands of men like Nathan Mayer Rothschild who financed governments. Sir Robert Peel made paper money Britain's standard currency in 1811. By the 20th century the illusion was completed; with half the world following Great Britain in her abandonment of the gold standard in 1931, money could no longer even be exchanged for precious metals, but was entirely dependent on the lending, investment and spending transaction of governments and banks. Today, in the era of the individual bank deposit and the cheque book, the banks are the real creators of money in what amounts to a mere book-keeping procedure. In the U.S. 4/5 of the money, or some \$109 billion, is used in the form of bank deposits, with only \$27 billion circulating in the form of government-issued coins and bills. - Thus the value of money as an object in itself has probably reached its lowest point in history yet the illusion that, as a row of figures in a ledger or a total in a bank-book, it represents wealth is as persistent as ever. It is a nice thing to have in your pocket, but the fact remains that money's true value lies only in the goods and services it can buy, as shown in the next page. In 50 years of American history the dollars' purchasing power has decreased while at the same time an unprecedented period of productivity has created more money (goods and services) and given Americans the highest standard of living the world has ever known.

Block,

THE DOLLAR'S VALUE HAS SHRUNK



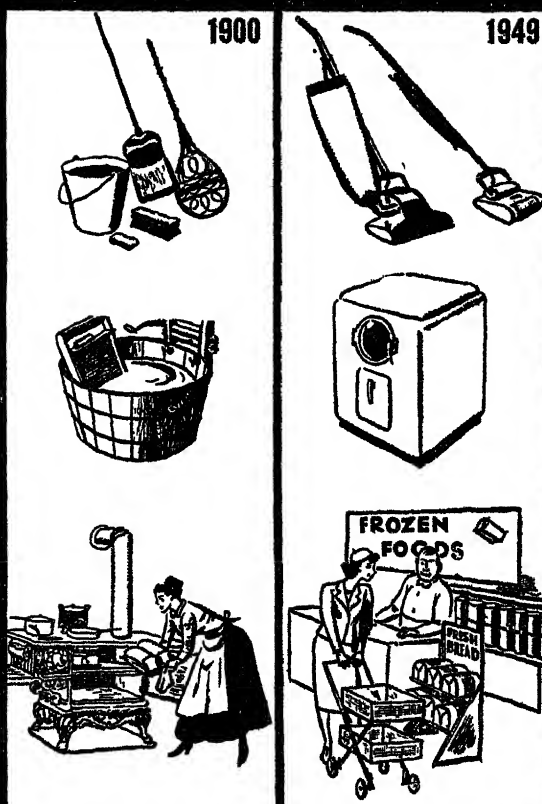
DECLINE OF THE DOLLAR is indicated by panels above which show that, for example, one dollar would buy a pair of shoes in 1900 but in 1949 it buys only heels and laces. In terms of true value, the 1949 dollar buys only as much as 38¢ in 1900, but today 65% of the U.S. has from three to four times as many dollars.

U.S. FAMILY'S EARNINGS HAVE RISEN



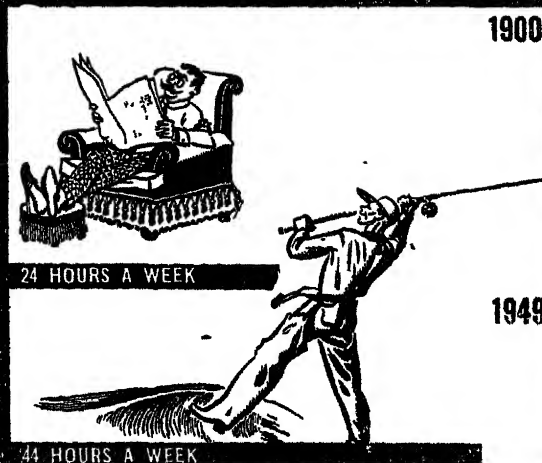
TYPICAL FAMILY INCOME has more than trebled as the dollar declined, as above illustrations show. In 1900 a typical American family earned \$750 yearly, had three children. Today its earnings average \$3,000 yearly and its over-all standard of living has gone up by one-half. But the family has shrunk to two children.

BUT MORE DOLLARS BUY MORE GOODS

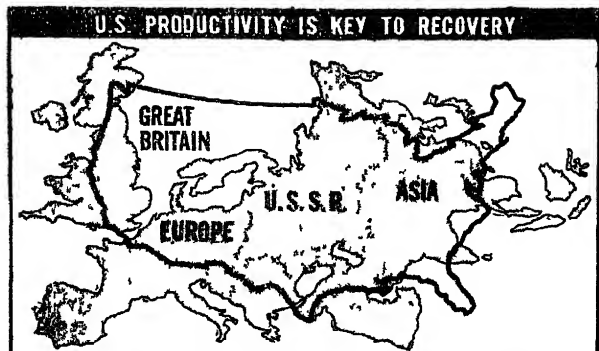


GROWTH OF PURCHASING POWER is indicated by these symbols illustrating the far higher living standards of today. In 1900 the more valuable dollar bought fewer, simpler tools for the average housewife (left). In 1949 more dollars buy a larger variety of labor-saving mechanical gadgets to make her life easier.

AND THERE IS MORE TIME TO ENJOY LIFE



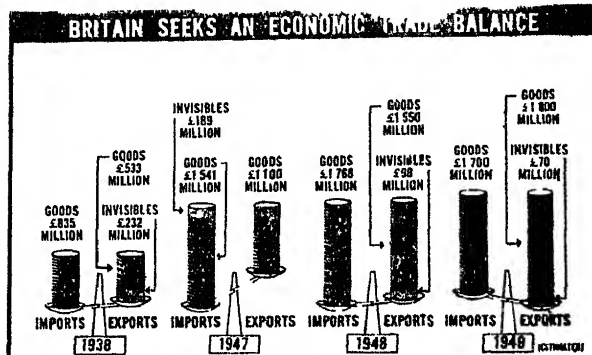
MORE LEISURE TIME is another item which 1949 dollars buy for average man. In 1900's 60-hour week he had enough spare time to read newspapers, had only Sunday off. Today's five-day, 40-hour week and paid vacations allow him to go on fishing trips, take his family vacationing and enjoy better, healthier life.



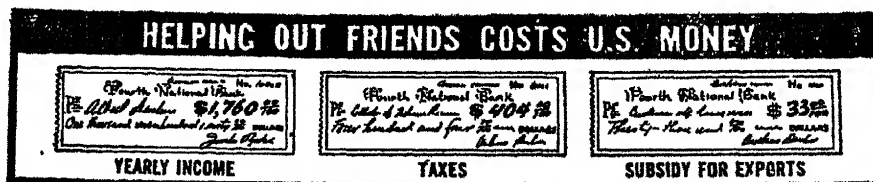
RICH IN PRODUCTION, U.S. nearly matches Europe and Asia combined as shown on this map scaled to world products in. Key to crisis is that rest of world has become dependent on goods and raw materials which U.S. turns out but cannot sell enough—for dollars—to pay for them. Means while U.S. consumes at least 90% of its production

LACK OF BALANCE BETWEEN TRADE AND MONEY HAS CAUSED THE CRISIS

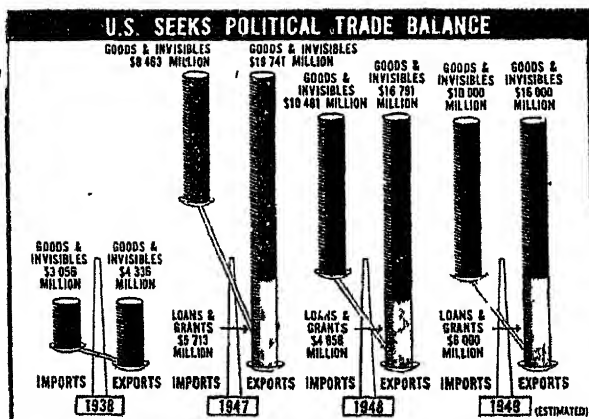
The troubles which led Great Britain to devalue her currency had been growing for 35 years. They arose from the fact that the pound has always been a symbol of trade rather than



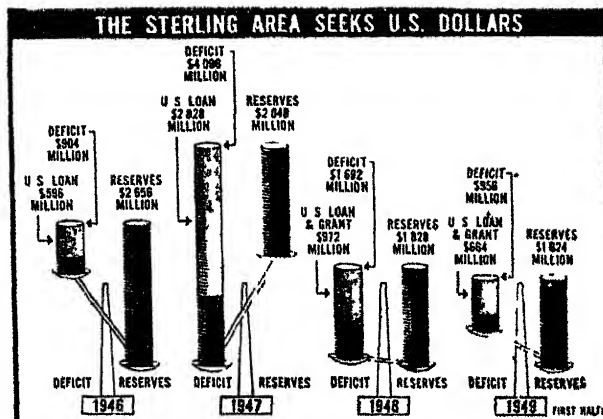
POOR IN DOLLARS and productivity although rich in markets Britain once balanced her home trade with her invisible returns (shipping and banking for foreign investments etc.) These as chart shows were virtually liquidated during the war. Britain's major problem is to increase her exports—producing and selling more—for dollars



TO SUPPORT TRADE, EVERYONE IN THE U.S. PAYS THE GOVERNMENT \$33 EACH YEAR



RICH IN GOODS AND GOLD, the highly industrialized U.S. now imports far less than it exports. A big proportion of these exports is made possible only by U.S. loans and grants to politically friendly nations who are too dollar poor to buy goods outright. As the chart above indicates, these loans and grants are nearly equal to U.S. imports



RICH IN CONSUMING POWER but woefully short of dollars Britain and sterling trade area which she dominates have been dipping into gold reserves to make up dollar deficit in their trade. These reserves, despite billions in U.S. loans and Marshall Plan aid, dwindled to below minimum danger point of \$2 billion early this year and kept on falling

World war I began a gradual change. To pay for arms, Britain had to sell some of her overseas enterprises; she emerged debt-ridden and with parts of the empire troubled by the nationalistic aspirations of colonial peoples. Trade was being increasingly restricted by tariff walls and bilateral agreements among nations, currencies and exchange rates were governmentally managed. U.S. production was bursting forth to threaten markets once sacred to British trade.

In World War II Britain lost her overseas investments and much of her empire. Her industries were worn by years of all-out effort. Today the colossus of U.S. production turns out half the world's goods and dominates the globe. Only for dollars can many of the goods be purchased which Britain and the world need. To avoid bankruptcy Britain must switch from a trading to a producing nation.

Her markets, in terms of population, still include 45 per cent. of the world's people and surpass the area in which the dollar is the dominant currency but are often as much a drain as an asset. The wheat for bread, essential machinery, raw materials—all these can be had for dollars only. And without the income from her overseas investments and services once rendered in trade Britain is unable to close the gap between what she has to buy for dollars and what she can sell for dollars in payment. She has been drawing on her gold and dollar reserves and not even the \$3.75 billion loan or Marshall Plan aid have been able to halt the steady drain of her capital. Cheapening the pound was a desperate gamble. By devaluation, Britain makes her goods cheaper to buy and hopes thus to achieve the only immediate remedy: more sales for dollars at lower costs. If this gamble fails, devaluation may be just another step nearer bankruptcy. The U.S., whose production is once again about to exceed what its own trade area can absorb, has a big stake in Britain's future. So has the entire Western World, which trembled as the pound fell.

Most nations of the world were mystified by the

obvious optimism with which Cripps and Bevin concluded their dollar talks in Washington, since Sir Stafford was still vigorously denying any intentions of devaluating the pound. When the 30 per cent. cut was announced, 25 governments slashed currencies to bring them into line. A few like France bitterly decried the \$2.80 pound as a "cut-rate" device of commercial warfare. U.S. businessmen advertised lower prices on British made goods; some manufacturers saw stiffer competition ahead.

The hardest blow of all fell on the British people, whose austere living standards declined still further. Bread, made with U.S. wheat, rose in price immediately. The fate of the socialist government lung on the people's temper. In Commons Cripps and his colleagues won a vote of confidence, but many observers believed the crisis would still bring a general election this fall instead of next year as scheduled. Stalwart Labourites, however, went ahead with rallies as if to tell the world they would weather the storm, no matter how rough it got.

From "LIFE," Oct., 1949.

CURRENCY EXCHANGE AND CAPITAL MOVEMENTS IN SWITZERLAND

THEIR UNIQUE POSITION SURVEYED

India and many other countries of the world are at present beset by several difficult problems, such as adverse trade balances, currency and exchange troubles, deficit budgets, high cost of living and of production, shortage of capital, etc. The position of Switzerland in respect of these problems is well worth a study, because it throws some light on the position of the other countries in the same respect. Some useful information in this connection is available in the July, 1949 issue of the *Quarterly Review* published by the Skandinaviska Banken.

Although Switzerland has no coal, iron ore, or any other important ore and few other natural resources, and although its soil is not very fertile and has, therefore, to be largely used for cattle production, its accumulated wealth, per head of population, is the largest in the world, not except-

ing that of the U.S.A. Since the second world war, it is the only country in Europe, where the visitor finds normal supplies and a calm and resolute people determined to maintain their own way of living. The idea prevailing in the minds of some outsiders that Switzerland made a net profit out of the war is not at all correct. On the contrary, it has met with a net loss through the grant of credits, not likely to be repaid fully, and losses of capital in other countries, chiefly those of Eastern Europe. Its great advantage has been that its industries were not ravaged by the war and that the professional and industrial training of its young persons was not interrupted during the five years of war. Unlike many other countries, India also has had this advantage. Tourist traffic is not such an important source of the Swiss income as many outsiders believe it to be. The running of hotels is a risky business and many hotel owners have failed. The value of the exports of mechanical engineering products, such as machines and tools, is alone a larger item than the entire income from the tourist traffic, on the credit side of the balance of payments of the country. Switzerland's main advantage is its central geographical position which has given it excellent opportunities for trading with other countries, and of which it has made the fullest use for many years. India also possesses this advantage, although in a smaller degree, but it has not made much use of it so far.

In the post-war period, the Swiss franc has been the most scarce or hardest currency in the world and at a premium in free markets even in relation to the dollar. In spite of the facts that there have been practically no restrictions on its imports and that its exports have consisted almost entirely of manufactured articles, some of which have been luxury articles, it has had no difficulty in maintaining equilibrium in its balance of payments, and its gold reserves increased from 4,500 million Swiss francs at the end of 1944 to 45,800 million francs at the end of 1948.

MEETING THE BOOM

During the war, Switzerland had prepared

plans for dealing with unemployment, if its economy was hit by a depression, after the cessation of hostilities. But when it found that a big boom, instead of a depression, suddenly overtook its economy after the war, it quickly adopted measures to deal with the new situation. The most notable of these were as follows :

(1) The budget was not only balanced, but was made to yield an overall surplus, which amounted to 820 and 176 million Swiss francs in 1947 and 1948, respectively,

(2) The Swiss National Bank and the Swiss Treasury mopped up redundant liquid funds from the market by selling gold coins and bars of the value of 1,500 million Swiss francs.

(3) The Swiss National Bank allowed the short-term interest rates to rise by nearly 1 per cent. and the long-term rates by one-fourth to one-half per cent. This rise helped to maintain equilibrium in the Swiss money and capital markets.

(4) The Swiss National Bank has declined to give its notes freely in exchange for gold or dollars. Consequently, two dollar rates have been quoted in Switzerland, one at the official parity, applicable to commercial and a few other well-defined transactions, and the other, called the rate for financial dollars, applicable to transactions mainly representing movements of capital. In 1948 and the early months of 1949, the rate for financial dollars fluctuated at a discount of 5 to 10 per cent. showing a continuous flow of capital to Switzerland. If the Swiss National Bank had supplied Swiss currency against all the dollars offered to it, the resulting increase in the volume of currency and credit would have upset the restrictive policy of the Swiss authorities. The policy pursued by the Bank meant that those who sold dollars representing a movement of capital have had to secure Swiss francs already existing in the market, so that the inflow of capital has not brought about that increase in the volume of currency and credit which otherwise would have taken place.

As the boom is now disappearing and demand has slackened, several experts are now suggesting that the exchange and credit policies hitherto followed should be reversed and that financial dollars or gold should be accepted unreservedly by the Swiss National Bank, which should give Swiss francs in return at or very near par. The authorities, which have always shown adequate flexibility of mind for modifying their policies quickly according to the changes in the economic situation, are now considering this suggestion. The above experience of Switzerland, however, shows that small changes in interest rates, etc., can be very effective, provided that the public finance of the country concerned is in a healthy condition.

When the interest rates rose in 1948, the "Dear Money" policy was adversely criticised by some people. But the rates soon eased on account of continued supplies of private savings, accumulations of liquid funds in connection with social insurance and influx of foreign capital. Long-term Federal bonds once more yielded less than 3 per cent. and medium-term bonds only $2\frac{1}{2}$ to $2\frac{3}{4}$ per cent. Flexibility thus operated in both directions. It seems that Switzerland has the lowest "natural" level of interest rates in the world. The fall in the rates of interest is not likely to produce any inflationary effect, as the boom is disappearing. The establishment of a single dollar rate at or very near par, as indicating progress towards the restoration of normal conditions, may induce Switzerland to resume its capital exports.

During 1945, Switzerland had a favourable trade balance amounting to 249 million Swiss francs, because it helped other countries with its surplus of exports. But, from 1946, as goods had become more readily available in the world markets, Switzerland started to replenish its depleted stocks and to rebuild adequate reserves of fuel, raw materials, and other goods for security reasons. It also raised appreciably the general standard of living, which had been depressed a little by the war. All this led to a

substantial increase of imports and to an adverse trade balance amounting to 747, 1,552, and 1,564 million Swiss francs in 1946, 1947 and 1948, respectively. As, however, Switzerland is a creditor nation, the net deficit in its balance of payments varied between 200 and 400 million francs in each of these years. This amount was only a small part of its gold reserve, which, in spite of the excess of imports, continued to increase, on account of considerable influx of capital, which was attracted by its sound currency system.

Although German competition has revived and the prices of some Swiss exports have gone down, unemployment in the country is very small, the number of unemployed being only 16,000 in the spring of 1949. The recovery in Germany will adversely affect some Swiss exports and a few special industries, which were established in Switzerland when Germany could not export, will have to be closed. But these difficulties have been foreseen and provided against.

PECULIARITY OF SWISS ECONOMIC ORGANISATION

A special feature of Swiss industry is its division into a number of small and medium-sized concerns. The number of large concerns in the country is very small. In Basle, for instance, there are four medium-sized companies producing chemicals, and the products of all of them enjoy international reputation. If such had been the case in a town in the U.S.A. each of the Presidents of the four companies would have remained awake during a substantial part of the night, thinking of ways and means of buying up the other three. Any visitor to the Swiss sample Fair can quickly find out that the co-existence of many medium-sized concerns in the same branch of industry is a peculiarity of the Swiss economic organisation. This is entirely in accordance with the Swiss people's mentality, which politically has resulted in the division of the small country into a number of autonomous cantons. The advantage of this system is that, in relation to the size of the country, it produces a large number of persons, who are

heads of independent industrial and commercial concerns and whose capacity to perform very responsible duties is well-developed.

Switzerland has proved that medium-sized concerns can carry out almost as much rationalisation as large concerns. The use of electricity and motor lorries enables the former to obtain power and transport as cheaply as the latter. Moreover, a progressive improvement in the standard of life of the people leads to an expansion in the size of the market even in a small country. For instance there is enough demand for shoes in Switzerland to enable the existence of a highly rationalised shoe industry having more than one factory. It is true that, in a few industries (motor car, for instance), only large undertakings can manufacture goods most efficiently and that such concerns need a very large market. But, with the expansion of the world trade, an undertaking can become large, even in a small country, and export a considerable part of its production.

The Swiss people say that it is often advantageous to be dependent on foreign markets, as then it is impossible to remain in an unbalanced position for long; and that all people must be ready to adapt themselves to changing circumstances, in order to prosper as, biologically, flexibility is necessary for survival. The Swiss have gradually developed a nice balance between attachment to their own way of life and readiness to adapt their economy to the changing conditions of the world. By their prosperity, they have taught other countries that huge concerns and big markets are often unnecessary for efficient production and a high standard of living, and that a small country dependent on exports can hold its own in the world even at present. Their example shows that the reorganisation needed by other countries need not necessarily be on the lines of the large-scale organisation prevailing in the U.S.A. If other countries can look forward to an era of peace, put their currencies and finance in order, without much delay and pursue a reasonable com-

mercial policy, there is no reason why they should not be able to follow in the footsteps of Switzerland.

32 STATES IN U.S.A. NOW HAVE LAWS PERMITTING DEFERRED POSTINGS

THE PROGRAM WHICH POINTED OUT THE BENEFITS OF DEFERRED POSTING WAS BEGUN IN BANKERS MONTHLY IN MAY, 1942. PROGRESS TOWARD A UNIVERSAL ADOPTION OF THIS TIME-SAVING METHOD IS PLEASING

The progress made toward the adoption of deferred posting by American banks is revealed by the American Bankers Association in a survey which showed that, as of April 12, 1949, 32 states now have laws permitting the practice. In another state, the statute has passed the legislature and is awaiting the governor's signature. The enabling law was passed by 16 states during the current sessions of their legislatures.

The deferred posting statute was enacted this session in Arizona, Arkansas, Delaware, Georgia, Indiana, Iowa, Kansas, New Hampshire, North Dakota, Maine, Minnesota, Oregon, South Carolina, South Dakota and West Virginia. Maryland is awaiting the governor's signature.

These states are added to the following which had some sort of deferred posting legislation prior to the 1949 session—Alabama, California, Florida, Idaho, Illinois, Massachusetts, Michigan, Nebraska, New Mexico, Oklahoma, Pennsylvania, Rhode Island, Texas, Utah, Virginia, Wisconsin, and Wyoming.

Following the adoption of the amendments to Regulation J, the Committee on State Legislation of the A.B.A. provided the state bankers associations with a proposed statute conforming to the amendments. It is this statute that has passed the 16 state legislatures thus far in 1949. In addition, Idaho, Nebraska, New Mexico, and Utah have replaced their former laws with the A.B.A. recommended statute; a bill to do so has been introduced in Pennsylvania and Massachusetts. The Wisconsin legislature has passed such a bill and is awaiting the governor's action.

Five states not having any form of deferred posting legislation are also considering the A.B.A.-proposed bill in their legislatures. They are Colorado, Connecticut, North Carolina, Ohio, and Vermont. On April 12, all these legislatures were still in session.

While the A.B.A.-proposed statute does not make deferred posting mandatory, it permits use of the practice, and if adopted, insures uniformity among the banks throughout the nation using deferred posting.

Bankers Monthly began, in 1942, to give its readers the benefit of the experience of those banks which had experimented with delayed posting. It was discovered that many benefits were derived from posting all of the day's work at one run. While the proof department is proving today's business, the book-keepers post yesterday's items.

This does not mean that the book-keepers are idle part of the day, but it does mean that there are fewer errors in posting, less work, and less stationery used.

By the old plan of dribble posting, the statement of an active account might be taken out of the tray from two to five times for entering items as they arrived. Each time, the new balance had to be determined and the ledger sheet returned to the tray. Now, many banks are benefited by the plan of making only one posting a day to all accounts.

In 1940, all but two clearing houses had rules requiring the immediate return of items on the day received, if they were dishonoured. Banks following the plan of delayed posting at that time were forced to have several people looking for dishonoured items all day long in order to determine whether there were any items to be returned. This had to be done in order to meet the clearing-house rule.

Delayed posting reduces the number of book-keepers needed because one person can handle about two or three times as many accounts.

It permits a synchronized movement of items from one department to another.

It generally results in fewer posting errors.

Employees like it because their work is easier and takes less time.

It eliminates friction between departments caused by dribble posting which tends to delay inter-departmental work.

Obviously, it saves money for the bank.

For the benefit of those who have not studied the delayed posting plan, we may suggest that in brief, it generally is operated as follows :

An entire day's work is posted at one run.

While the proof department is proving today's business, the book-keepers are posting yesterday's items.

Each ledger sheet is handled only once for all items for the day. A sorter usually sorts the items before they go to the book-keepers, although in some banks, the book-keeper makes the fine sort herself.

Most banks post the following morning, although some banks have book-keepers come down in the afternoon or evening.

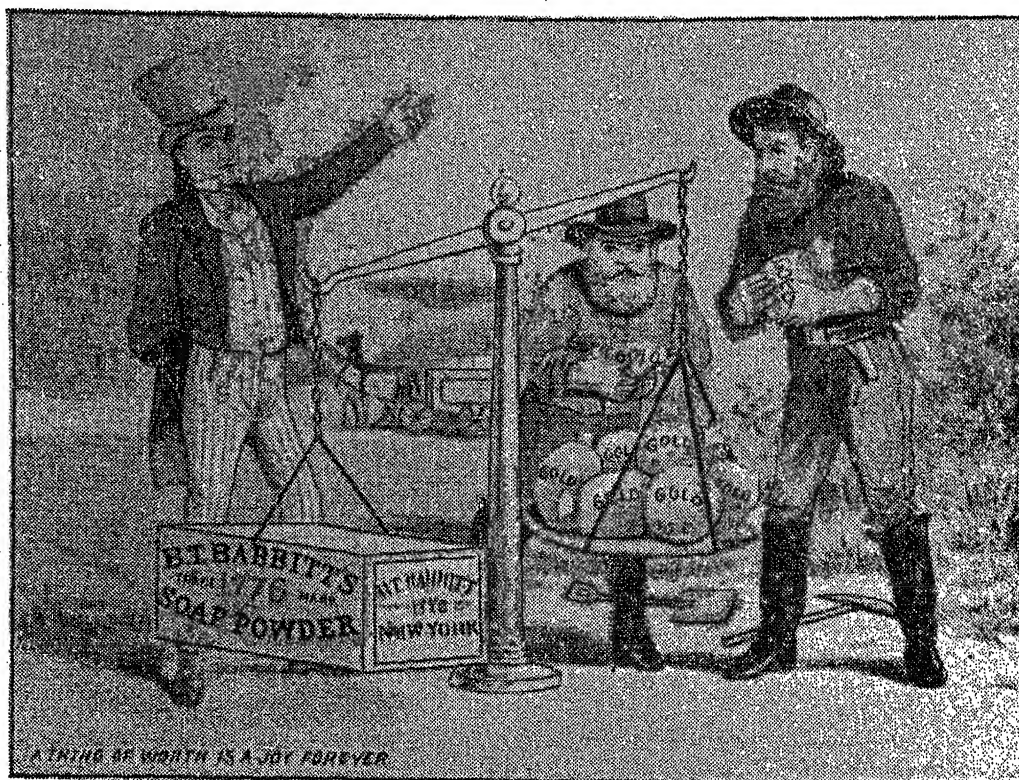
THE GOLD CRAZE

(a) LURE OF THE WEST WAS GOLD

With the discovery of a rich source of gold in the Sacramento valley in January 1848, the country was convulsed with the most feverish and uproarious migration in its history. The glittering dream of the West had suddenly, unbelievably come true. "Soldiers are deserting their ranks," wrote one eastern newspaper, "sailors their ships and everybody their employment..." Some followed the overland routes to California ; others took ships, gambling that they would survive the stormy passage around the Horn. So great was the rush that during its first two crazy years, the population of California soared from 14,000 to 100,000.

Finding gold shattered the inhibitions of the most conventional easterners, they swarmed to El Dorado, Sacramento and San Francisco, ambled, brawled and frequented the "caffy

shantags," dives where the women hung out. As more and more gold was found, living costs sky-rocketed. Room and board even in cheap Frisco hotels was \$ 14 a day, while in the mining



BABITT SOAP AD was typical of the many industrial advertisements capitalizing on the glamorous appeal of the gold rush. This one aims to show the remarkable value of one case of soap powder.

camps at the ends of tortuous supply tails, eggs sold for a dollar a piece, flour for \$ 100 a barrel. By 1856, however, the fever had begun to subside. The search for gold had transplanted a whole population which, contended with its new surroundings, was there to stay.

What finally joined the West and the East was the completion on May 10, 1869, of the great trans-continental rail-road. Beginning in 1863, the Union Pacific laid its track westward while the Central Pacific toiled east. They converged, in Promontory, Utah, where dignitaries assembled from East and West to watch the last spike of pure gold driven home.

(b) GOLD IN LOWER INTESTINES

Gold worth Rs. 36,000 has been recovered from inside the bodies of four Arabs who arrived from the Persian Gulf by s.s. Barala recently. The smuggled gold ingots, it is stated, were plugged to the end of their alimentary canals and the Arabs had to undergo an X-ray examination before the gold was recovered.

Under similar circumstances, gold worth Rs. 8,00,000 was recovered from inside the bodies of another gang of 40 Arabs who had arrived in Bombay from the Persian Gulf by S.S. Dwarka.

(c) GOLD IN BOTTLES

American uncles, aunts, girl-friends, parents,



CORNED BEEF AD shows clean, well-fed miner. Average miner ate beans, potatoes and dried beef.

and all on the short list for important presents, will hardly be able to cry with truth "Just what I always wanted," should rich donors give them the newest idea in gifts next Christmas. For the new-fangled notion is original, even if some recipients may think it dull, and be disappointed, in the way of a child who prays nightly, for a toy engine and gets instead a pair of woollen socks. Gold, packed in transparent bottles is to be sold for christmas gifts in the U.S.A this year. Each bottle is to contain 2½ ozs. of unrefined metal and will cost Rs. 880. The purpose is to give some little security to dear ones against a return of inflation.

The idea is in embryo, so whether it will become more fashionable to put some christmas bottles down in especially constructed cellars, or to festoon them round the drawing room, or wear them simply in the coat lapel or as a fob is un-

certain. Certainly, for many people, half the joy in getting a present comes from displaying it later in public. If bottling gold becomes really popular, and householders start converting their objects d'art and other possessions into these knickknacks the world may see renovation of the calculate-my-substance-at-a-glance method used by the remote isle where large stones with holes in the middle still represent wealth.

In presents, they say, it is the thought which counts, and somehow the thought behind these auric test tubes fails to please. It suggests an unhappy state of mind, panic in fact. It seeks neither to gratify, by providing some little luxury or bauble which the recipient would consider an unjustified extravagance if bought by himself; or yet to satisfy, by fulfilling some specific need in the manner of a cheque or end of holidays tip. A gift of gold mohurs or sovereigns would be more engaging, bringing with it a flavour of collectors' pieces. Something of beauty, say a Venetian goblet, modern or antique, rose-tinted or glowing in jewel colours and shot through with gold dust, would surely make a kinder gift than a bottle meant neither for looking at nor drinking from but enclosing more unrefined fear of the future. If vulgarity is inescapable, a bath with golden taps, such as that built in the English home of a film star between wars, would be a worthier tribute to beauty than a flask of yellow metal which would not even serve to paint the lily.

The Indian way of giving golden gifts is more graceful, woven perhaps into a sari border, or chosen from the jewellers store of bracelets, anklets, earrings. These U.S. presents would lack any such charm. Unromantic yet panicky, they would convey little of the eager pioneering rapacity of a gold rush, nothing at all of the alchemist's visionary delusion. And since donors, receivers, bottles and all must sooner or later, like chimney-sweepers, come to dust, more gaiety in the giving and less anxiety, would seem appropriate.



MINING FOR GOLD, these '49 ers shovelled gravel from the stream into a wooden cradle (centre) then, pouring water cover the gravel, rocked the cradle so that gold shifted to the cradle bottom. [*Painting above by W. F. Chadwick*].

EFFECTS OF DEVALUATION ON SOUTH AFRICAN ECONOMY

The much dreaded measure, devaluation, has become an accomplished fact. The way in which it was carried out by Britain bears testimony to the fact that the feelings and interests of the Commonwealth Countries take, as it were, a back-seat. Canada and the U.S.A. were informed about Britain's decision to devalue the pound nearly a fortnight before its enforcement while India had barely a day's interval. India, along with other countries decided to devalue her currency. But at the same time it would have been better if she had also delinked the rupee from the sterling as Ceylon had done in respect of the Indian rupee.

The effects of devaluation are rather slow to detect and unless suitable measures were adopted it may defeat its own purpose. But for one country at least it is a great blessing in disguise. Perhaps the South African barometer had detected the devaluation of the pound long before the other countries even suspected, and this was why she did not press for a higher price for gold. The "writing up" of the gold price in terms of the currencies of many countries is a great boon to South Africa, the greatest gold producer.

Devaluation has not only resulted in a greater price for gold, and lower pay limits, but also brought into availability increased present and potential ore tonnages. But due to labour shortage it may not be possible to increase correspondingly the tonnages milled. The rise in costs of about 10 per cent. is due to an increase in: (a) European labour costs, (b) native wages and costs, and (c) the cost of local and imported goods.

Time and again South Africa complained that her overseas trade disequilibrium was primarily due to the decline in the purchasing value of gold. How does devaluation help in solving the problem? It does so partially. For by the devaluation of the pound her purchasing power has

increased by 44 per cent. with respect to the sterling area while dollar goods will now cost more in terms of the Union money. But already the sterling prices of raw materials have been enhanced so as to peg them up with their dollar equivalent.

Yes, as the following tables show, devaluation has changed the trend of South African trade to a marked extent.

A. 1948 (EXCLUDING GOLD) £. S. A. MILLIONS

—	Non-Sterling	Sterling	Total
Merchandise Imports	212	13	351
„ Exports ..	60	71	131
	— 152 —	68 —	220
„ Invisibles ..	— 29 —	17 —	46
Balance ..	— 181 —	85 —	266

B.—1949 (6 MONTHS TO JUNE) EXCLUDING GOLD) £. S. A. MILLIONS.

—	Non-Sterling	Sterling	Total
Merchandise Imports	78	96	174
„ Exports.	81	37	68
	— 47 —	59 —	106
„ Invisibles ..	— 10 —	10 —	20
Balance ..	— 57 —	69 —	126

It is estimated that South Africa could pay the foreign exchange allocations to the extent of £. 55 million from current exports.

Taking the factors attendant on devaluation into consideration South Africa feels that the trend of her trade should be switched over from the 'hard' to the 'soft' currency sphere. Britain is anxious to encourage this trend thereby making herself a potential purchaser of the South African gold. Hitherto, the U.S.A. has been taking as much as 50 per cent. of the gold produced in South Africa while her purchases of platinum and diamonds had been indeed great.

It is estimated that the South African exports would accrue to the country a gain ranging between £. 30 and £. 50 millions of which £. 25 or £. 35 millions would be realised from gold. Still, the Union Government does not envisage the removal of import controls. They are to be there for at least some time and "there cannot be any reduction as far as hard currency areas are concerned." The foreign exchange allocated for 1950 to the Sterling and the dollar area are £. 25 and £. 15 millions respectively.

Having got a handsome windfall from the goldmines at the crucial stage of the malaise of adverse balances, the problem is how best could it be utilised to remove the adverse trend. While both the U.K. and the U.S.A. are striving to make the best of the situation by diverting towards them as much gold as possible, South Africa is anxious, in one way, to utilise a part of the current gold production to replenish the dwindled reserves, and on the other, to encourage capital inflow from the U.K., U.S.A. and even Switzerland. This may make the Government undertake once again capital works

which she had perforce to stop on account of a stringent money market.

Devaluation is indeed a great boon to South Africa. But how far and how long she will be in this enviable position will depend on the Government's prudent handling of the problems created by devaluation, and the British policy. To make devaluation succeed, the British Prime Minister, Mr. Attlee, has announced an austerity plan by which austerity cuts were made on the defence bill, housing expenditure and national health, totalling a net saving of £. 280 millions. These British economy measures and the others which would follow suit by various other countries will ultimately bring the countries to the same position as they were prior to devaluation. South Africa would not prove an exception. Nevertheless, it would be better if South Africa speedily consolidates her position faced as she is with the least amount of sacrifice and an unexpected surplus.

MISS R. VILLABAI NAIDU.

FIRST FRUITS OF DEVALUATION

Wholesale price index figures for October, 1949, are not yet available for India, but the first fruits of Devaluation are crystal clear from the following figures relating to Britain. The authorities in India have been wishing very piously that Devaluation should not raise the cost of living and the prices of industrial raw materials, but British experience cannot but be reflected in India also.

The full effect of devaluation on prices is reflected in the Board of Trade Index for wholesale prices for October which, at 236.1 was 2.8 per cent. higher than in the previous month, and 1.8 per cent. above the previous peak value of June.

Compared with 1938, the index for all articles has now risen by 132.8 per cent., that for industrial materials and manufactures by 142.8 per cent., and that for food and tobacco by 115.3 per cent.

Among the food and tobacco group, the index for which, reinforced by seasonal rises in fruit and vegetable prices, rose by 4.9 per cent., higher prices for wheat and wheat products introduced on September 24, were mainly responsible for a rise of 12 per cent. in the index for the cereals section.

Average prices of tomatoes and apples rose in the month by 74 per cent. and 24 per cent. respectively, while potatoes and onions were also dearer by 2.9 and 7.5 per cent. These changes, together with a 4.8 per cent. rise in the prices of coffee, caused the "other food and tobacco" section of the index to rise by 3.6 per cent. compared with September.

The only changes in the index for the iron and steel section of the industrial materials were those of 3.0 and 0.6 per cent. in the prices of tinplates and galvanised corrugated sheets respectively, lifting the index for this section by 0.1 per cent.

Despite reductions during the month under

review in the Ministry of Supply, selling prices of lead and zinc, the monthly average prices of these non-ferrous metals were higher than in September by 11 per cent. and 14.5 per cent. respectively. Together with the increased prices of copper, tin, aluminium and nickel as a result of the carry-over of the rises in the previous month, the non-ferrous metals section index rose by 15.1 per cent.

The monthly average prices of Giza and American middling cottons rose by 14.9 and 12.4 per cent. during the month, and the cotton section index was therefore up, by 6.4 per cent. Steady increases in wool and yarn prices following devaluation lifted the index for the wool section to 7.7 per cent. above the figure for the previous month.

RAW SILK DEARER

An increase of 21.4 per cent. in the price of raw silk, together with increases of 6.6 and 9.9 per cent. in linen line and tow-weft yarn prices, quotations for which were again available at the beginning of the month following their suspension after devaluation, lifted the index for the "other textiles" section by 4.8 per cent. to 173.6.

Monthly average increases of 2.7, 4.0, and 2.9 per cent. respectively in the prices of motor spirit, fuel oil, and kerosene, together with a higher pool lubricating oil price were the main factors raising the index for the "chemicals and oils" section by 1.7 per cent. to 191.5 per cent.

Reductions in the prices of paper-making materials coming into effect on October 1 caused a fall of 3.3 per cent. in the index for "miscellaneous" section.

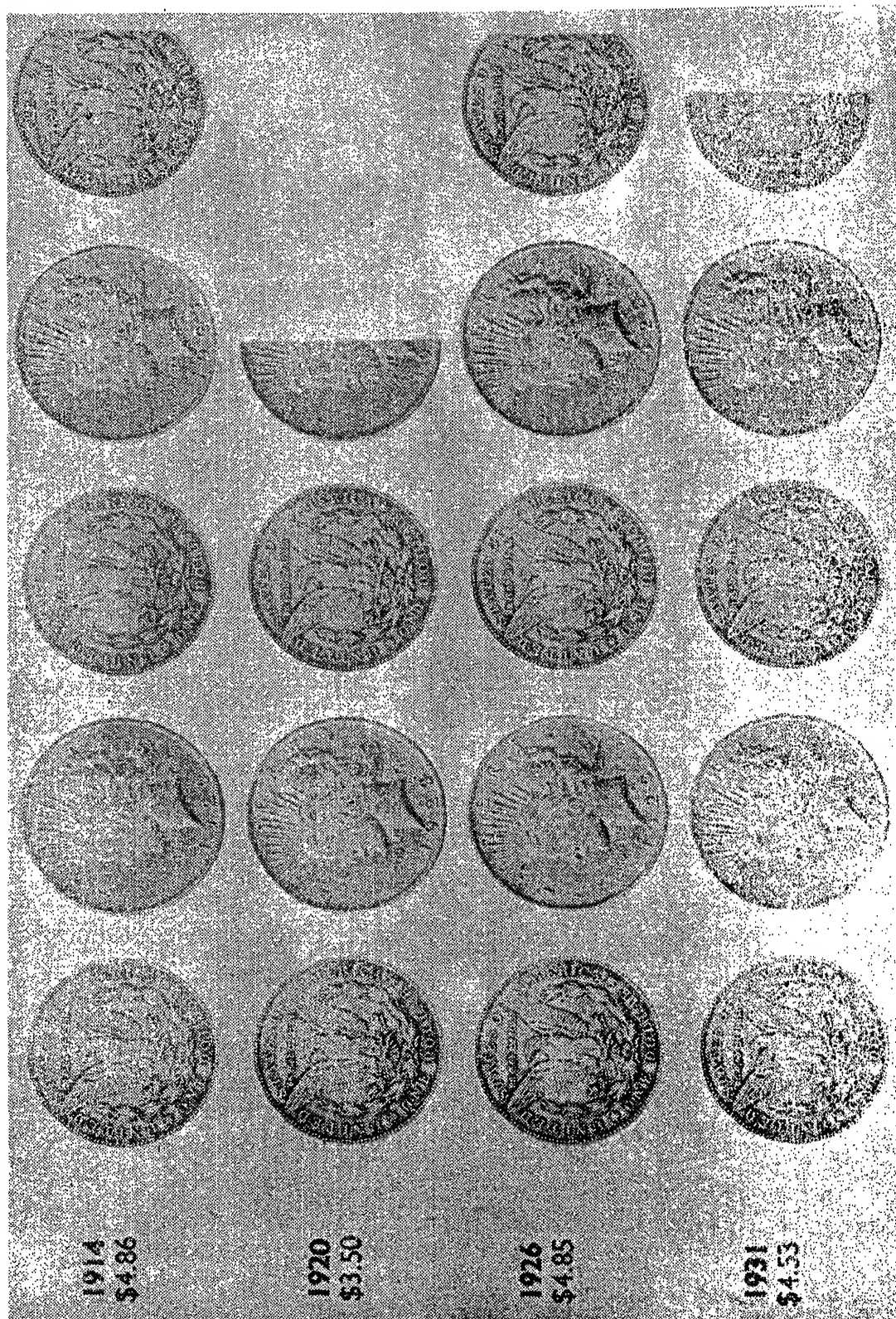
[Statement.

The index for the industrial materials and manufactures group as a whole rose over the month by 1.7 per cent.

The following table gives the index numbers and percentage changes in each of the commodity groups :—

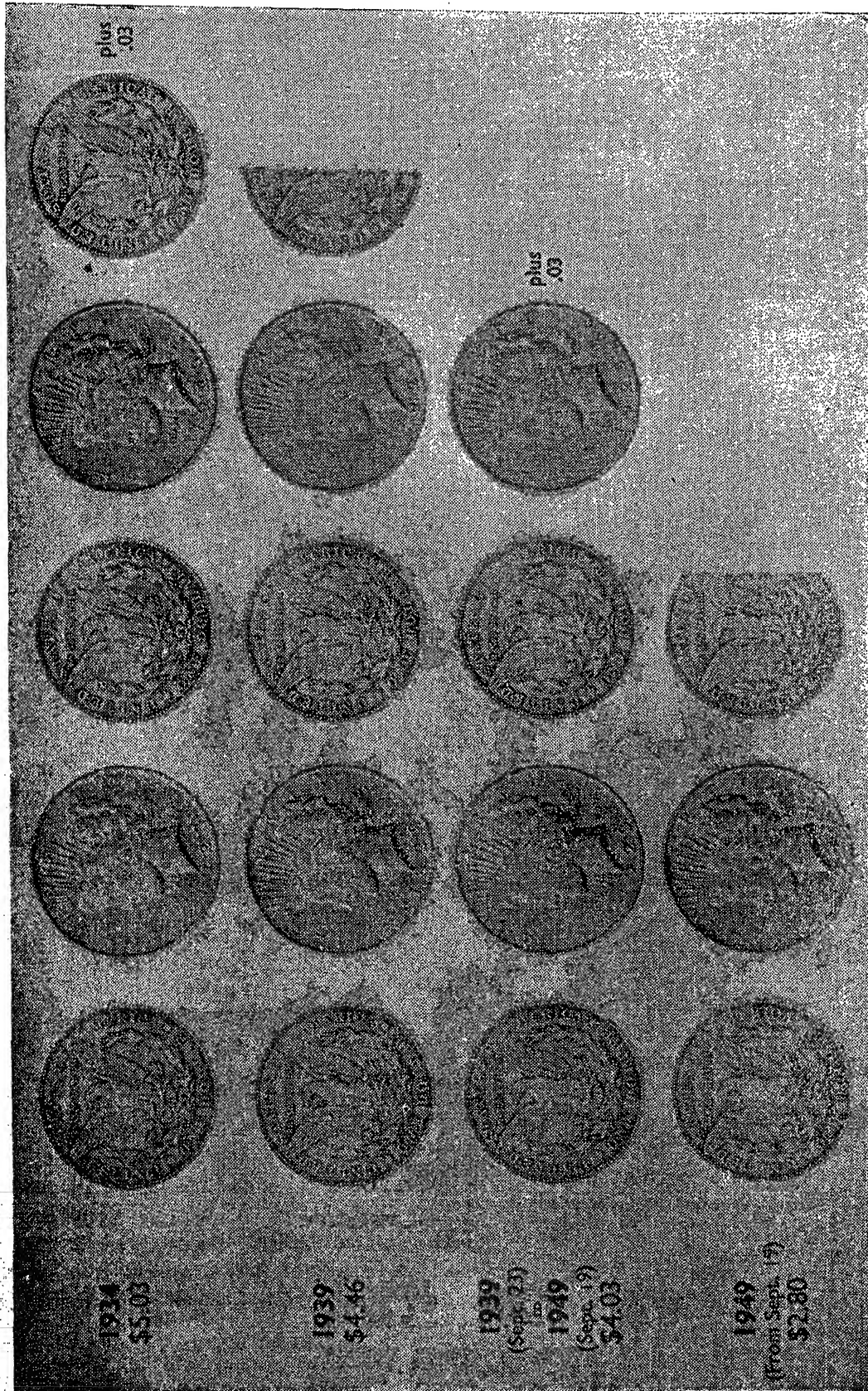
Group				INDEX NO. PERCENTAGE CHANGES COMPARED WITH			
				Oct. 1949	Sep. 1949	Oct. 1948	Year 1938
Cereals	..	..	..	227.8	+ 12.1	+ 29.8	+106.8
Meat, fish and eggs	..	..	..	166.7	*	+ 20.9	+ 94.0
Other food & tobacco	..	..	..	232.5	+ 3.6	+ 5.0	+138.4
Total—Food and Tobacco				209.4	+ 4.9	+ 16.5	+115.3
Coal	..	..	..	305.3	*	+ 1.2	+147.9
Iron and Steel	..	..	..	257.9	+ 0.1	+ 8.9	+ 85.4
Non-ferrous metals	..	..	..	276.2	+ 15.1	+ 6.8	+192.6
Cotton	..	..	..	342.8	+ 6.4	+ 15.4	+309.8
Wool	..	..	..	317.2	+ 7.7	+ 16.7	+212.8
Other Textiles	..	..	..	173.6	+ 4.8	+ 2.7	+152.7
Chemicals and Oils	..	..	..	191.5	+ 1.7	+ 0.7	+102.2
Miscellaneous	..	..	..	242.5	+ 3.3	— 9.0	+160.1
Total—Industrial Materials and Mfs.				250.7	+ 1.7	+ 3.0	+142.3
Total—All Articles				236.1	+ 2.8	+ 7.4	+132.8
<i>Industrial Materials (excl. fuel) :—</i>							
Basic materials	..	..	..	290.7	+ 1.8	— 2.9	+213.0
Intermediate products	..	..	..	266.0	+ 2.5	+ 6.2	+154.6
Mofd. articles	..	..	..	225.3	+ 1.0	+ 5.5	+100.1
Building materials	..	..	..	226.8	+ 0.8	+ 2.2	+118.0

* No appreciable change.



THE POUND IN TERMS OF DOLLARS—A GRAPHIC EXPRESSION OF THE EFFECTS OF THE TWO WORLD WARS.

In this graphic representation of the sterling dollar ratio from 1914 until the present day, we show in the upper six lines how many dollars and fraction of dollars the pound would buy at the yearly average rate of six representative years (1914, 1920, 1926, 1931, 1934 and 1939); and in the two lower lines the "pegged" dollar rate of the ten years 1939-1949, and the new "pegged" devalued rate are shown. These sample years show the general trend accurately enough with one exception: In 1931, when the pound stood at 4.35 dollars, Great Britain left the Gold.



Standard on September 21, and the following year the pound had dropped to 3.50 dollars. Whether this was the direct result of abandoning the Gold Standard is a subject for the argument of economists; but it is interesting that two years later, in 1934, the pound had reached its high water-mark, fetching 6.03 dollars, the record rate for the period. In fact, however, the ratio has generally remained steady in a free money market, except for the drop which rapidly followed the 1914-18 war, and which would have probably come much sooner after the last war, but for the artificial fixing of the rate, whether the high rate of 94.03 or the new devalued rate of 2.80. It is ironically interesting that the two great topics of the day both hail from the remote Bohemian district of St. Joachimsthal—"dollar" being a corruption of "thaller," itself a corruption of "Joachimsthaler," from the coin minted at that place—whose present notoriety lies in its being one of the Chief Russian sources of uranium.

LIRA'S FUTURE: PRESENT TENDENCIES

Many countries received the announcement of the devaluation of the pound with great surprise for the British Chancellor of the Exchequer, Sir Stafford Cripps, even after returning from the Washington Conference denied any such move. But nonetheless the economic barometers of many countries were recording the trends ever since the dollar crisis talks began in England. And it is this that made Italy, among the few other countries to receive the news of devaluation on 18th September with the least amount of surprise. In Italy the Italian Exchange Control foresaw such a move some weeks before the formal announcement and it is this that made the Bourses to be kept open even while the other banks closed in different countries, and normal exports and stock movements were carried out.

The Lira was not given an international value even when Italy became a member of the I.M.F. That is to say that Italy never declared the official parity of the Lira to the I.M.F. and it was allowed to seek its own level. Hence, while as many countries as twenty-five devalued their currencies after September 18, Italy did not see the reason for doing so. Prior to devaluation the official rate of the Lira was to be that established by the Bourses before a month. Thus it was the Bourses which were responsible for the fixation of the parity of the Lira within the limits of 350 and 750 Lire to the \$. The maximum of 650 was reached soon after devaluation but this tendency was taken into account by the Government brokers who by their timely action checked it bringing it down to 632. Such action could be taken promptly by the Government because of the accumulation of reserves by means of a mechanism whereby the export of dollars could be utilised only for imports which were licensed, and if such a licence was not obtained, the dollars had to be sold back to the Exchange Control within 60 days. But the dollar rate declined still further to 632 Lire to the \$.

The question is whether Italy should devalue

her currency to the extent of 10 per cent. or should allow the Lira freedom to establish its own parity. Italian industrialists and exporters favour devaluation so that Italy could compete with the others on favourable terms in the export market. But Prof. E. Corbino is of the opinion that the Lire-\$. rate should be devalued to the extent of 2 per cent. in comparison with pre-devaluation rate of Lire 575 to the \$.

The trend of Italian exports show that she has more than doubled her exports to the sterling area compared to last year while her exports to the U.S.A. have been reduced. Her exports to the U.S.A. were only 4 per cent. of the total exports in the first two quarters of 1949, while they were 11 per cent. in 1948; and her imports were 87 per cent. and 85 per cent. in the first two quarters of 1949 and for the year 1948 respectively.

Italy is anxious to switch over her exports to the U.S. rather than continue mainly with the sterling area. In order to carry out this she has to either devalue her currency against the dollar, at the same time maintaining the dollar-sterling cross rate or abandon the cross-rate while maintaining the same dollar rate. The second if agreed to by the U.S.A. may mean the expulsion of Italy from the Sterling Transferable Account Area while the first even while assuring continuity of her exports would enhance the inflationary pressure.

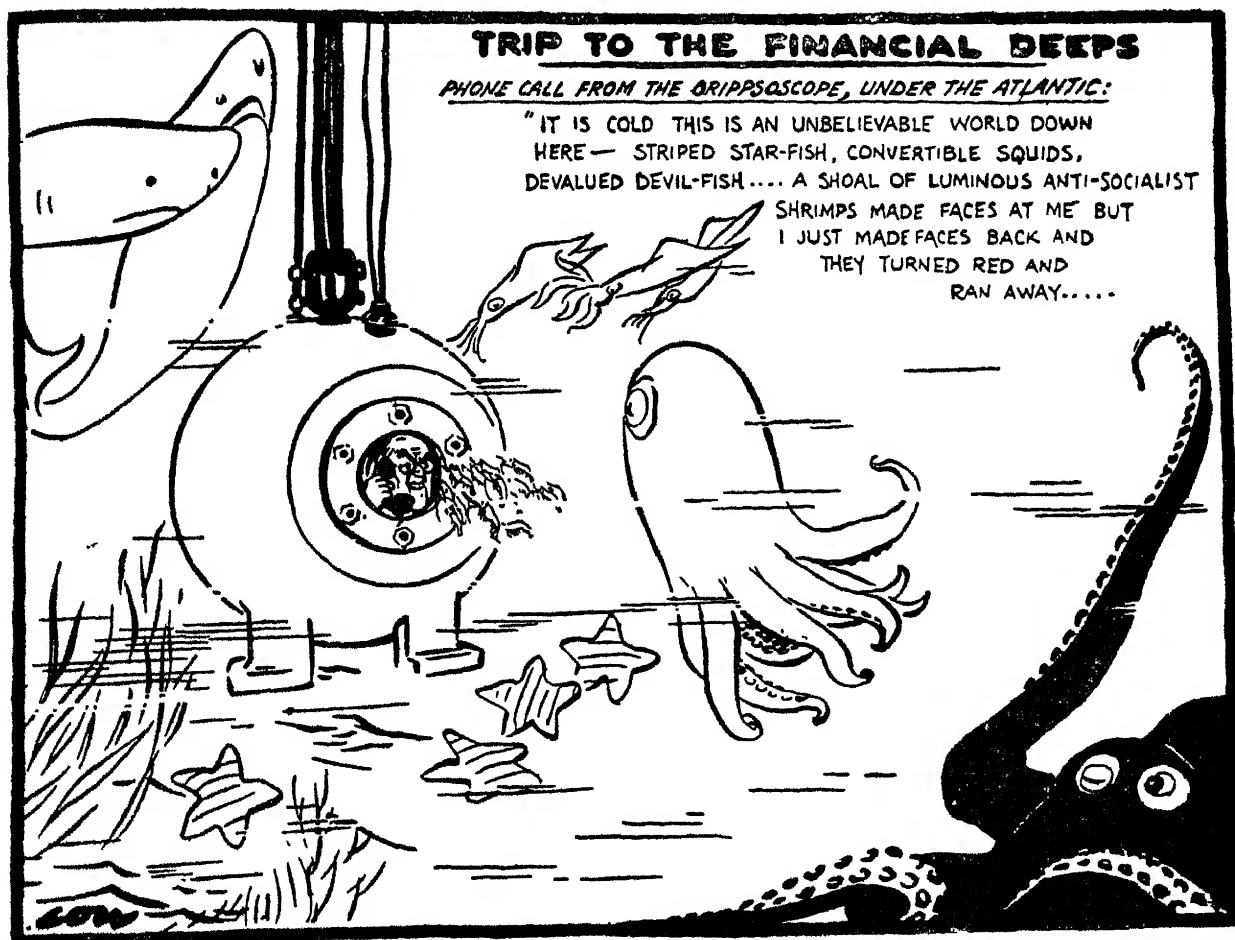
The Anglo-Italian Agreement regarding the cross-rate expires on December 31. And the financial experts in Italy think that the Italian Government would abrogate the dollar-sterling cross-rate and authorise the Bourses to quote an export rate higher, to the extent of 10-15 per cent. with regard to the lira-sterling exchange rate. Such a procedure would not only encourage her export trade but would also remove the ills that are directly the results of pegging the currency to the sterling. The efficacy, stability and profitableness of such a system is to be watched with the greatest amount of interest by

all those countries in the sterling area whose currencies are pegged to the British. In these circumstances it would be well if India took

cognizance of the results attained by Ceylon by delinking her rupee from the Indian rupee.

(Miss) R. VITHABAI NAIDU.

ECONOMIC FANTASY BY MR. LOW



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CROP AND CATTLE INSURANCE IN INDIA

The following is the summary of conclusions of the report of Crop and Cattle Insurance submitted to the Central Ministry of Agriculture by Mr. G.S. Priolkar, who was appointed Officer on Special Duty, a year ago, to work out detailed experimental schemes on the subjects.

CROP INSURANCE

A scheme of all-risk Crop Insurance under which protection is given against all crop hazards beyond the control of insured is recommended.

An approach on the basis of a pilot scheme on a limited but adequate scale, under which insurance is limited to selected crops and selected areas may be considered as essential.

The form of the contract may be as follows :—

(a) The indemnity will be equal to two-thirds of the shortfall of the actual yield from specified percentage of the long-term average yield.

(b) In case of losses due to widespread 'general calamities' the indemnity may be paid on the basis of the seasonal condition of a suitably

fined 'area' in which the farm is situated. This will be supplemented in case of losses due to local calamities' like hail, flood or locusts by demnities payable on the basis of the seasonal condition of the insured farm itself.

The work of ascertaining the average yield of a 'area' in connection with adjusting crop losses may be carried out through the precise and objective method of a crop cutting survey on the principle of random sampling. The work in connection with such surveys could with advantage replace the present functions of the revenue agencies.

In Indian conditions, a compulsory scheme of crop Insurance has considerable theoretical and practical advantages. However, it is also felt that a compulsory scheme may not be immediately feasible and may be misconstrued as additional taxation and resented. Opinions of the Provincial Governments about the feasibility of a compulsory scheme may be obtained.

In any case the pilot scheme could with advantage work on a compulsory basis in at least certain areas. Certain areas protected by irrigation or by an assured rainfall may be suitable for operating a compulsory scheme.

Compulsion may be limited to only a fraction, such as one half, of the maximum permissible benefit, and the remaining part may be left to be covered by the insured at his option. Further, compulsion may apply to only holdings larger than a certain minimum size to be prescribed in different areas.

A State subsidy to the scheme sufficient to cover the expenses of administration is recommended. Consideration may also be given to giving an additional subsidy during the pilot scheme stage as an inducement to insure.

The different sources of agricultural statistics in India will have to be utilised in combination for determining premium rates and insurance coverages. A suitable method which may facilitate this and has certain other advantages is suggested.

The data from Government agricultural farms may supply reliable estimates of seasonal variability. This may perhaps be supplemented by investigations into unpublished seasonal factors relating to the primary units in respect of which they are reported. The stability of seasonal variability in respect of various regions and crops suggests that a uniform premium rate in each region may be feasible. The average level of yields in different areas will have to be determined on the basis of official statistics of normal outturns and results of crop cutting surveys recently carried out. Investigations may be made on the basis of the yields obtained during such surveys to test the performance of various revenue soil classes so as to test the utility of revenue soil classification for demarcating 'areas.' The ancillary statistics obtained in connection with these surveys may also enable allowance to be made for types of various areas as may be needed in relation to the dates of various agricultural operations, the costs of various stages of production, nature and incidence of crop hazards, etc.

During the pilot scheme stage data may have to be collected to strengthen the statistical basis of the scheme. The relevant information may be obtained as ancillary data in connection with crop-cutting surveys suggested for the purpose of crop-loss adjustment.

It will be desirable to insure more than one crop and to spread the areas of operation in respect of each crop over widely spaced geographical regions.

The possibility of insuring two food crops, viz., rice and wheat, and two commercial crops, viz., cotton and sugarcane, may be studied in the first instance.

Insurance in respect of each crop may be offered in all the major producing provinces; and in each such province in representative areas in regions of concentrated production, such areas are indicated.

It may be necessary to exclude the permanently

settled areas and East Punjab from the operation of the scheme in the first instance.

Insurance operations in respect of each crop may be limited to a maximum of 20 Revenue Inspectors' circles. The following distribution of areas over the different provinces may be suggested.

Commodity	Madras	Bombay	U. P.	C.P. & Berar
Rice	..	12	..	4
Wheat	..	1	..	12
Cotton	..	1	8	..
Sugarcane	10	..

In case of a compulsory scheme, it may suffice to provide insurance in one circle in each region and the area of operation may be reduced to nearly a half.

During the experimental stage, the scheme should be entirely State-managed; but local co-operative societies could help in the work of selling insurance and publicity on a commission basis. The field agencies of the agricultural departments may also help in popularising the scheme and in connection with preliminary studies. The more extensive field agency of the revenue department could be depended on primary field work. The patwari could receive premiums, check acreages, carry out routine inspections and the work of sample harvesting in connection with annual crop-surveys may replace his normal routine.

The operation of the scheme in each province may be placed in charge of a Crop Insurance Officer. He will maintain records, receive premiums and keep accounts, process claims, and supervise work at all levels. He will also organise the collection of statistics required for operation of the scheme and its extension. He will be helped by clerical staff at his headquarters and by Crop Insurance Assistants one of which may be stationed in each centre in which it is proposed to operate the scheme.

The Provincial Crop Insurance Officers will be responsible to a central office where plans of insurance and suitable actual basis will be evolved; statistics collected and analysed; premiums and insurance coverages for different regions ascertained; the working of the scheme reviewed and the question of its extension decided.

While in course of time work of the suggested crop cutting surveys may form part of the revenue agencies, during the pilot scheme stage very adequate supervision over the work of sample harvesting may be provided. This may be done by appointing supervisors during the harvesting season. Recruitment of persons of experience and standing as Supervisors may be done through popular bodies in respective centres and a suitable honorarium may be paid to such persons. It may be advisable to associate advisory committees consisting of officials and non-officials in each centre with the working of the scheme.

During the pilot scheme stage it may be advisable to avoid setting up such reserves in view of the limited scale of operations. The operations may be carried out in terms of current cash equivalents and Government may bear the impact of any adverse movements of prices.

CATTLE INSURANCE

Before inaugurating a Pilot Scheme of Cattle Insurance, it will be advisable to undertake investigations into mortality of cattle of different classes in different regions.

A valuable source of data for this purpose may be found in the records of the Military Dairy Farms and other Government Cattle Farms in India. The data so obtained may be supplemented by information obtained through sample enquiries in the areas of operations of the scheme. A detailed procedure for such investigations is outlined.

In India Cattle Insurance will have to provide protection against losses due to contagious diseases.

The incidence of contagious disease varies considerably between different classes of animals and between different areas. Areas in which the incidence is comparatively lighter may be selected for the operation of the pilot schemes.

In addition, provision may be made for regular and compulsory protection of all insured animals against rinderpest by the serum Simultaneous method in all cases, and against anthrax hæmorrhagic septicæmia and black-quarter at least in those tracts where these diseases are of most common occurrence. Protection may be provided by the Veterinary Departments concerned without any charge for inoculation, serum, etc.

The existing field agencies of the Provincial Veterinary Departments cannot be considered as adequate for providing necessary veterinary facilities in connection with a scheme of Cattle Insurance. Additional facilities will have to be provided in the areas of operation of the scheme.

A form of contract of Cattle Insurance, under which the benefit is payable not only on death of the animal during a prescribed period but also on its surviving that period, is described. This may prove more popular in India as compared with the usual form of term insurance contract and may be tried in selected areas according to local preferences.

In view of the objectives of a pilot scheme of Cattle Insurance it would be advisable to spread the operations of the scheme to selected centres in different provinces instead of confining the operations to a single province.

Insurance may be offered in two types of centres. In rural centres insurance may be confined to working bullocks between specified age limits. In urban centres, comprising of cities and surrounding areas, insurance may be extended to milch animals also.

Six rural centres and six urban centres are suggested for the operation of the pilot scheme.

The actual selection of the areas may be done in consultation with the Provincial Governments concerned. It will be desirable to have 1,000 to 2,000 insured animals in each centre. A rural centre may comprise an area of approximately 800 sq. miles. An urban centre may include the city and an area within a distance of 5 miles from the City.

A pilot scheme of Cattle Insurance could be operated through Co-operative Insurance Societies, with State-aid in various forms, or as a purely State-managed scheme. In view of the nature of considerations that must guide the choice, it may be advisable to obtain opinions of Provincial Governments on this point. A suitable machinery for operation of the pilot scheme is outlined in respect of each form of organisation.

The following machinery is suggested for operating a pilot scheme administered through Cattle Insurance Societies :—

(a) Three Co-operative Societies may operate in each rural centre, each with an area of operation of about 100 sq. miles. A single society may operate in an urban centre. There will thus be 18 rural societies and 6 urban societies :—

(b) The societies may be given Government help in the following forms during the pilot scheme stage :

(i) An Establishment Grant may be given to each Society at inception, which, together with the share capital of the society, will form the nucleus of a reserve fund.

(ii) Veterinary help of all kinds may be provided free of cost to the insured by the Veterinary Departments concerned.

(iii) Government may reinsure half the risk in respect of each policy, on receiving half the premium from the society.

(iv) Government may also make annual grants for secretarial expenses.

(v) In addition to this Government may guarantee interest-free loans to the societies during those years when the funds of the society are found inadequate to pay the claims.

(c) The administrative staff may comprise the following :

(i) A full-time Cattle Insurance Officer in each province assisted by a clerk and peon. He will be a veterinarian.

(ii) A Manager of Cattle Insurance at the Centre, assisted by an Accountant, two clerks, a stenographer and two peons. he may be guided by a Central Directing Committee.

The following machinery is suggested for operating a completely State-managed pilot scheme.

Each rural and urban centre may be placed in charge of a Cattle Insurance Officer, who may be assisted by a clerk and a peon. The Officer will be a veterinarian and will work in close

co-operation with Veterinary Department concerned.

Further, each centre may be divided into 3 sub-centres, and a stock-supervisor who will form part of the normal field agencies of the provincial Veterinary Department will be made available in each sub-centre to perform the field operations in connection with the Cattle Insurance scheme. The Stock supervisor will be paid a small honorarium for his services.

The work of selling insurance may be organised by appointing agents, who may be individuals or institutions like co-operative societies, on a commission basis.

Expert cattle-owners belonging to the respective areas may be associated with the work of valuation of animals, and remunerated with an honorarium.

Death of insured animals may be required to be vouched and certified by persons of experience and standing in the respective areas. A panel of such persons may be formed in each area and a small fee paid in respect of each certificate.

Planning

FOOD SUPPLIES IN HYDERABAD

BROADCAST TALK BY HON'BLE MR. P. H. KRISHNA
RAO, MEMBER, HYDERABAD GOVERNMENT

THE very existence of food control and rationing proves that something is wrong with our food supplies. There would be no need for rationing if supplies are adequate. Even today, in one world, if what the world produces is properly distributed, there would probably be no insufficiency. But, due to various causes, some parts can and do produce more than they need and other parts cannot produce all they need. We have not evolved a system whereby humanity is considered as an indivisible whole. It is cut up into nations who place what are called national interests before human interests and who are only too ready to exploit the difficulties of others for their own advantage. That is the root cause of our trouble.

India which is a small world in itself is not free from this sin. In spite of tall talk about India being one, and our being Indians first and last, we are thinking, even more than before, in terms of provinces and states, languages, areas and cultures; and our provincial or parochial patriotism, as opposed to Indian patriotism, is judged by what we can get for our own little area at the expense of our neighbours or of India. Some administrations grow much more than they need. Some other administrations cannot conceivably at any time produce all they need. But, the spirit is lacking, in surplus areas, for mopping up all the surplus and place it at the disposal of the deficit areas. There is a tendency to minimise their resources in order to escape responsibility for supplies. Even the deficit areas cannot really be as deficit as they profess to be. Instead of improving their production or securing the surplus with some for making available to others, it is much easier to shout that people will starve if some one else will not come to their rescue. This tendency will persist so long as there is some

chance that the shouting will give something.

The Government of India have, therefore, decided irrevocably that after 1951, India will not depend on outside help for her food, and all provinces and states have endorsed that determination. There will not be any question thereafter of any part of India looking to the Centre, as it is called, for assistance.

Hyderabad, like other States and Provinces, must make every endeavour to be self-supporting and there is no reason why she should not succeed. The density of population is less than two hundred to the square mile. The extent under cultivation is about one acre and a half per capita, and that actually under food crops is one acre per capita. Even with an average yield of four maunds per acre, this ought to suffice. Hyderabad, as a matter of fact, was self-supporting before the war except in the matter of rice and wheat. It was at the same time surplus in pulses and groundnut and cotton. The shortage in cereals was made up by pulses and the imports of rice and wheat was more than made up by the export of groundnut and cotton. It is only the disturbed conditions during the last two years and the unfavourable seasons of last year that have upset its economy. With the restoration of law and order and two normal years in succession, Hyderabad is bound to become self-supporting again.

The production of rice must no doubt increase either by growing more per acre or by bringing more land under rice by improving irrigation. There is scope for both in Hyderabad. Landholders with resources in labour, cattle and manure are even now able to produce more per acre than the petty land-holders with limited resources.

If the land-holders are to be liquidated, some method of still having large landed estates—say State Farms or Co-operative Farms—will have

to be devised if production is not to suffer. The days of the small subsistence farmer who worked out his livelihood by scraping half a dozen acres with wooden plough are definitely past. We are now in the days when agriculture has to be practised as a large-scale industry with modern machinery, adequate capital, and competent technical skill, if we have to produce enough for our own consumption. The conflicting objects of disinflation and of assuring an economic return to the agriculturist by stabilising a reasonable price are not going to be achieved by controls or fixing of *ad hoc* prices. The only way is to improve production per capita by all possible means.

Large schemes of irrigation are on hand which will increase the area irrigated by more than four lakhs acres within the next five years at a total cost of about rupees ten crores. At the same time, measures are on foot for bringing under the plough all land already commanded by such sources. This is estimated to increase our production by sixty thousand tons in the next two or three years.

The area under wheat has been going down year after year during the last decade, so much so that it is less than half of what it was only five years ago, mainly due to a disease called Rust. We have imported twelve thousand tons of wheat seed this year to increase the area under wheat.

Given good monsoons, the areas under jawar and bajra are bound to increase. The prospects for Hyderabad are, therefore, after all, not so gloomy.

But, what is to be done to tide over the present crisis say until the next harvest, even granting that it is going to be quite satisfactory? The answer is obvious. Every one must realise the inevitable, and brace himself to do his part. The Hyderabad Food Advisory Committee issued appeals sometime ago to the cultivator and the trader calling upon them to do their duty. I too appealed from the Aurangabad Radio or people to work and work more as I

found there was a dangerous tendency to expect something for nothing, to expect more wages for less work, and to gain an advantage for oneself even at the expense of another. More productive work is the only solution for our problems. I am now calling upon every individual to do his bit both in his own interest and in the interests of society. Kill the black-market. This will involve self-denial to begin with; but, it will pay dividends very soon. If the cultivator withholds grain from Government in the hope that he will get a much better price from the trader and if the trader sells in the black-market at exorbitant price, it is the common consumer that has given room for it. Your first duty is to refuse to buy in the black-market. Your second duty is to give information to the appropriate authorities about hoarding and black-marketing. As an incentive to do what is obviously your duty, Government are offering liberal rewards for those who give such information. The public response, I am sorry to say, is still inadequate. Your third duty is to prevent smuggling. Government are determined to enforce control measures with vigour to achieve their object of giving to the common man his food at reasonable prices. We want your co-operation in the matter.

Another direction in which you can help is by tightening your belts. While it is the duty of Government to feed the people, it must not be at any cost, no more than you should feed your family on borrowed money. Hyderabad is paying a crore of rupees annually for rice and wheat imported at two to three times the price we pay for local producers. This is the sure road to bankruptcy, and it cannot go on indefinitely. So, if you cannot produce more rice or wheat or until you do so you must learn to do without it.

The first step to take is, therefore, to reduce the rice ration. You may be surprised to hear that there are some categories of workers in the State who are receiving 16 ozs. of rice per day by some former dispensation while the common man cannot have even 6 ozs. One of the things that emerged from the discussions at the recent Food

Conference in Delhi is that in no case should the rice ration exceed 6 ozs. per capita when other substitute foods can be found. This is one of the first things to be implemented here. I trust that labour and their leaders will realise their duty to the country in this respect and co-operate with Government.

The second point is to remember in this third year of our independence the sage words of the Father of the Nation. If our shortage is only 5 to 10 per cent., the solution is in the hands of every one of us, and all of us can contribute towards it. We have only to fast once a fortnight. And our elders have made provision for it by the institution of fasting on Ekadasi. Cannot we observe it, if not on religious grounds, at least on grounds of economy and health? Then, there is the custom for several people to give up the night meal on Thursdays and Fridays. This has only to become general, at least in the case of the educated and thinking classes. We may give up cereals, especially rice and wheat on those days. It is not too much to ask. I find that some Governments have already enforced this by cutting down the cereal ration for a week in each month. But, I would welcome public support before any such measure is adopted here. I find already signs of such support by certain resolutions that have been forwarded to me.

We have, no doubt, the problem of food facing us today. But, it is not insoluble. More irrigation works by Government, more work by the workers and peasants, a better sense of service rather than of self-interest on the part of hoarders and traders, and a certain sense of duty and self-denial on the part of every citizen will make the solution easy. Let all of us follow the teachings of the Mahatma instead of merely taking his name in vain.

MAIN OUTLINES FOR INTENSIVE RURAL ECONOMIC SURVEYS IN HYDERABAD

1. Introduction
2. Map of the village, utilisation of land and

irrigation : unutilised available resources ; ways and means of obtaining maximum yield out of the land : potential resources ; communication and transport facilities. (Estimate of the average cost of sinking a well).

3. The agricultural land—holdings and tenancies : division and fragmentation of occupancy and cultivation of holdings : agricultural economic units necessary, taking into view the capabilities of the soils in various parts of the area.
4. Implements, manures and processes of cultivation.
5. Agricultural stock—census of cattle : classification of cattle into useful and useless : ways and means of improving the cattle stock.
6. Crops—food and cash—and their rotation : seeds.
7. Rents—Land Revenue and its incidence : nominal and real rents : tenancy agreements.
8. Wages—nominal and real labour conditions.
9. Marketing, warehousing and prices—official and net (mixing up of Banking and Trade).
10. Mortgages (including Taccavi), sales and redemptions : land transfers : other debt burden (secured and unsecured)—rates of interest—nominal and real.
11. Banking and Credit : Co-operative Societies : savings and their utilisation.
12. Agricultural costs and yields : yield per acre according to the last settlement : financial aid needed by the villagers per acre to attain maximum yield of various cash and food crops.

13. Industries—main and subsidiary: cash crops locally consumed or exported in raw, semi-manufactured or manufactured condition: existing industries for utilization of cash crop produced and capital invested: industries that must be built up for complete utilization of cash crop produced: local capital available for development of these industries and outside capital that must be attracted: what return the capital invested in the existing industries is paying.
 14. Family budgets: the balance sheet of the village—individually and collectively.
 15. Population and occupations: Abadi and sanitation: births and deaths: education and litigation.
 16. Existing percentage of literacy and proposal for improving literacy in the rural areas.
 17. Conclusion.
- Appendices:*
1. The annual time-table of work of six peasant proprietors.
 2. Scope for debt conciliation and clearance through a Land Mortgage Bank.

LIST OF VILLAGES SELECTED FOR INTENSIVE SURVEYS

I. NIZAMABAD DISTRICT

Name of Tahsil	Name of village
1. Armoor (500 weaving families to be covered)	.. Balkonda (5 miles from Armoor).
2. Nizamabad .. .. .	.. Bardipur (6 miles from Nizamabad).
3. Bodhan .. .. .	.. Janakampet (10 miles from Nizamabad).
4. Banswada .. .. .	.. Durki.
5. Kamareddy .. .. .	.. Machareddy (14 miles from Kamareddy).

II. WARANGAL DISTRICT

1. Khammam .. .. .	.. Chintakani (Railway Station).
2. Madira .. .. .	.. Siripuram (7 miles from Madira).
3. Mahboobabad .. .. .	.. Abbayapalam (22 miles from Khammam).
4. Warangal .. .. .	.. Rayaparthi (25 miles from Warangal).
5. Mulug .. .. .	.. Venkatapur (5 miles from Mulug).
6. Pakal .. .. .	.. Chennaraopet (5 miles from Narasampet).
7. Yellandu .. .. .	.. Karepally (Railway Station).
8. Palwancha .. .. .	.. Old Palwancha village (7 miles from Kothagudem).

III. GULBARGA DISTRICT

1. Shorapur .. .. .	.. Devapur (7 miles from Shorapur).
2. Yadgir .. .. .	.. Kandakur (17 miles from Yadgir).
3. Sadem .. .. .	.. Mylwar (8 miles from Nawandgi Railway Station).
4. Shahpur .. .. .	.. Madarki (5 miles from Shahpur).
5. Jevargi .. .. .	.. Andola (10 miles from Jevargi).
6. Gulbarga .. .. .	.. Kinni (30 miles from Gulbarga).
7. Chincholi .. .. .	.. Miryan (15 miles from Tandur Railway Station).
8. Kodangal .. .. .	.. Yalal (8 miles from Tandur Railway Station).

IV. MEDAK DISTRICT

Name of Tahsil				Name of village
1.	Kalbager	..	..	.. Therpole (14 miles from Sangareddy).
2.	Andol	..	..	.. Almaipet (15 miles from Sangareddy).
3.	Medak	..	..	.. Nizampet.
4.	Yellareddy	..	..	.. Kalyani.
5.	Siddipet	..	..	.. Marpadaga.

V. MAHBOOBNAGAR DISTRICT

1.	Mahboobnagar	..	..	.. Musapet (14 miles from Mahboobnagar on the Wanaparthi Road).
2.	Makthal	..	..	.. Dhanwada (28 miles from Mahboobnagar on the Narayanpet Road).
3.	Nagarkurnool	..	..	.. Bijinapally (22 miles from Mahboobnagar and 12 miles from Jadcharla on Nagar-Kurnool Road).
4.	Kalwakurthy	..	..	.. Viljal (10 miles from Jadcharla on Kalwakurthy Road).
5.	Achampet	..	..	.. Mannanore (62 miles from Jadcherla).
6.	Pergi	..	..	.. Yelkatta (Jagir) 6 miles from Shadnagar Railway Station.

VI. PARBHANI DISTRICT

1.	Kalamauri	..	..	.. Nandapur (Near Kalamnuri Railway Station, H. G. V. Railway).
2.	Hingoli	..	..	.. Savna (4 miles by road from Kannagaon Road Railway Station, H. G. V. Railway).
3.	Basmath	..	..	.. Chondi (Railway Station in H. G. V. Railway).
4.	Jintur	..	..	.. Mathla (8 miles south of Jintur Railway Station).
5.	Pathri	..	..	.. Kola (Near Manwath Road Railway Station).
6.	Partur	..	..	.. Karegaon (4 miles from Partur Railway Station).
7.	Palam	..	..	.. Vadgaon (Railway Station).

VII. BHIR DISTRICT

1.	Bhir	..	..	.. Pali.
2.	Mominabad	..	..	.. Yusuf Vadgaon.
3.	Manzlegaon	..	..	.. Pathrul.
4.	Gevrai	..	..	.. Pandarvadi.
5.	Ashti	..	..	.. Cheri.
6.	Pathavda	..	..	.. Sawthada.

VIII. AURANGABAD DISTRICT

1.	Aurangabad	..	..	.. Mangrul.
2.	Ambad	..	..	.. Wadigaon.
3.	Paithan	..	..	.. Lakhegaon.
4.	Gangapur	..	..	.. Jigthan.
5.	Vaizapur	..	..	.. Jamkhed.
6.	Kaonnad	..	..	.. Palasmadi.
7.	Sillok	..	..	.. Wadodkhurd.
8.	Bhokardan	..	..	.. Hasanabad.
9.	Jalna	..	..	.. Pansendra.

IX. ADILABAD DISTRICT

Name of Tahsil				Name of village	
1.	Adilabad	..	..	..	Umdam.
2.	Utnoor	..	..	..	Tosham.
3.	Boath	..	..	..	Mannur.
4.	Kinwat	..	..	..	Bodarig.
5.	Nirmal	..	..	..	Gulmarag.
6.	Laxettipet	..	..	..	Dodepalli.
7.	Rajura	..	..	..	Warur.
8.	Asifabad	..	..	..	Ada.
9.	Sirpur	..	..	..	Lonwelli.
10.	Chinnoor	..	..	..	Pagadapalli.

X. KARIMNAGAR DISTRICT

1.	Sirsilla	..	..	..	Venkatapur.
2.	Jagtial	..	..	..	Tatpalli.
3.	Karimnagar	..	..	..	Tangellapalli.
4.	Huzurabad	..	..	..	Kothaghat.
5.	Parkal	..	..	..	Nadikuda.
6.	Manthani	..	..	..	Iklaspur.
7.	Sultanabad	..	..	..	Pusal.

XI. Nanded District

1.	Nanded	..	..	..	Malegaon.
2.	Deglur	..	..	..	Fateullapur.
3.	Kandhar	..	..	..	Karegaon.
4.	Hadgaon	..	..	..	Palsa.
5.	Mudhol	..	..	..	Degoan.

XII. RAICHUR DISTRICT

1.	Raichur	..	..	..	Devasugur.
2.	Alampur	..	..	..	Undevli.
3.	Manvi	..	..	..	Pothanhal.
4.	Sindhannur	..	..	..	Jawalgera.
5.	Devdrug	..	..	..	Ramdrug.
6.	Lingsugur	..	..	..	Santhikallur.
7.	Gangavathi	..	..	..	Budgumpa.
8.	Lisjtago	..	..	..	Dotchal.

XIII. NALGONDA DISTRICT

1.	Nalgonda	..	..	..	Yella Reddyguda.
2.	Bhongir	..	..	..	Avajpur.
3.	Jangaon	..	..	..	Nawabpet.
4.	Suryapet	..	..	..	Tekumatla.
5.	Miryalguda	..	..	..	Vemalapalli.
6.	Huzurnagar	..	..	..	Pongod.

XIV. HYDERABAD DISTRICT

1.	Hyderabad	..	..	..	Uppal.
2.	Ibrahimpur	..	..	..	Elamnade.
3.	Shahabad	..	..	..	Chevalla.
4.	Dharur	..	..	..	Kompalli.
5.	Medchal	..	..	..	Datarpalli.

XV. OSMANABAD DISTRICT

Name of Tahsil				Name of village
1. Osmanabad	..	..	..	.. Vadegaon Siddeshwar.
2. Paranda	..	..	..	.. Khasapuri.
3. Latur	..	..	..	.. Murud Akola
4. Kalam	..	..	..	.. Massa Khandeshwari.
5. Tuljapur	..	..	..	.. Suratgaon

JAGIR AREA

6. Ummarga	..	..	..	.. Yenegui.
7. Bhoom	..	..	..	.. Pat Sangui.
8. Lohara	..	..	..	.. ..

INTERNATIONAL CO-OPERATIVE DAY

The International Co-operative Day is an important occasion for the co-operative movement. Its significance for co-operators all over the world is no less than that of May 1st for the workers of the world, October 2nd for the Soviet Russia and of 15th August for India. In Hyderabad we have been celebrating the International Co-operative Day every year. But, this year's celebrations surpass in grandeur and response those of the previous years. The function is a unique event and bears a great significance. It demonstrates that the co-operative movement in Hyderabad and in India has come to its own and is bound to play a very important role in the future economic destiny of our country. It also indicates that, in Hyderabad, the support for the co-operative movement is growing and I must congratulate the Registrar, Mr. Vidyasagar, the Joint Registrar, Mr. Humayun Yar Khan, Nawab Mehdi Nawaz Jung Bahadur, Nawab Akbar Ali Khan, Mr. Madhavarao Anwari and others who are helping to rebuild the co-operative movement in Hyderabad, which, like so many other good things, suffered grievously during the turbulent days before the Police Action. What is needed is that larger and larger number of non-official public workers should devote themselves to the cause of co-operation; because, there is no other political movement today which has greater demand upon the time, energy and service of honest, zealous and patriotic men. If the co-operative movement is really to thrive and serve

its purpose of helping the masses in their economic uplift, it should be broad-based. It should have its roots in the people and should draw its inspiration and its motive force from the common man. I am not ashamed to use the term "common man," although it has become a habit with some to despise or ridicule the use of this term. The co-operative movement, if it does not materially serve the common man and improve his economic position substantially, it will become a luxury, which we can ill afford at this time of stress and strain in which our country is passing, and it will deteriorate like so many other movements into a vehicle of propaganda and exploitation for a few self-seekers.

Co-operative movement is essentially materialist and economic movement. It has nothing to do with politics, or religion, or for the matter of that, with cultural, moral or social reforms. It is a counterblast to the joint stock companies through which the rich pool their capital and earn huge profits by exploiting the skill and labour of the managers, technicians and other workers. It is a movement for the peasants and workers to pool their labour and scanty capital resources to increase their efficiency and quantum of production by providing themselves with the necessary tools, equipment, organisation and other factors of production. It has to shun profit motive, and the profits have to accrue not to one individual but to all the members of the particular co-operative society to which they belong.

In a fully nationalised socialist economy, co-operative movement will have an important role to play, as it is doing even to-day in Russia where co-operative farms claim the major portion of the soil under cultivation. In a mixed economy also the co-operative movement holds a place of honour. For example, in Britain the consumers' movement has made vast progress

and the co-operative stores control a major portion of the retail trade in countries like Britain and Denmark. Co-operation is a transition to nationalisation where the means of production belongs to the whole community and are exploited by the State not for the few but for the people at large.

MRS. PREMLATHA GUPTA.

The Democratic Approach



The Linguistic Ladder

Shankar's Weekly

NEHRU BUILDS INDIA'S NEW ECONOMY

THE FORMER SOCIALIST THEORIST PUTS MARKETS
AHEAD OF MARXISM

"People listen to Nehru, Nehru listens to Gandhi and Gandhi listens to God." once remarked Lin Yutang. For, despite Nehru's background as a wealthy Brahman aristocrat, he has always been a spokesman for the masses, serving as a link between the Congress Party and the people of India. While another leader may be primarily political or mystical in his approach, Nehru is primarily economic. He may act politically, he may even talk mystically, but he thinks as an economist and has developed into one with an increasingly practical turn of mind.

To understand Nehru's economic credo, as it has changed and matured in the face of new

challenges, is to understand India as a slowly emerging giant in the world economy, to grasp its production and investment potentials. This is true, since Nehru is the symbol of the recurrent hero in whom the Hindu masses have unshakable faith. His economic philosophy will shape India's ways of work and wealth for generations to come.

To Nehru, Indian independence from the outset meant more than the release of political prisoners; or parliamentary rights, or handloom cloth. It meant freedom in terms of economic advancement, as he was the first to explain to India's people. In his lexicon, Swaraj, or freedom, promised more land to plough, higher wages, better homes and clothing. It made the villager conscious of his mud house and the

**PANDIT JAWAHARLAL NEHRU, WITH HIS YOUNG GRANDSON,
RAJIVA**



shadow of hunger in the sun. It made the worker conscious of being underpaid. Freedom as Nehru preached it, moved away from the transcendental to the tangible, while he laid the foundations for India's trade union movement^t and its peasants organizations, from 1919 forward. It was at Nehru's insistence that the Nationalist Congress in 1929 proclaimed its belief in economic democracy as hand-maiden to its strictly political goal of India's emancipation into a democratic self-governing state.

What is not sufficiently realized in the West is that the main impetus to Nehru's career has been, and remains, the desire to improve India's living standards, and to banish the systematic pauperization of its teeming millions. To achieve this goal, he has not only adapted his performance flexibly to hard stubborn economic facts; he has even shifted the premises of his thinking.

More than 20 years ago, he became convinced that India needed rapid industrialization to relieve the pressure on land and to combat poverty. He believed that no country could be politically or economically independent unless it was highly industrialized by means of modern technology. An industrially backward India, he felt, would continually upset the world equilibrium and encourage aggressive tendencies among more developed countries.

While he pictured a future India with heavy industries and tractors churning up the virgin soil, he was not unaware of the dangers of industrialization without co-ordination and control. The unequal distribution of wealth, the profits of the few at the expense of the many, persuaded him that an unregulated anarchic industrialization would not do much to improve economic conditions in India.

Socialism attracted Nehru for a time since, as an economic doctrine, it held promise of solving India's economic problems. As he studied Marxism, the long chain of historical development lost much of its obscurity and vagueness and appeared to have some meaning.

He viewed political freedom only as a first step toward a socialist State. In 1936 he for the first time voiced his unalloyed allegiance to Socialism. In his presidential address in that year, Nehru said, "I am convinced that the only key to the solution of the world's problems and India's problems lies in Socialism. I see no way of ending poverty, the vast unemployment, the degradation and subjection of the Indian people except through Socialism. That means vast and revolutionary changes in our political and social structure, the ending of vested interests as well as the feudal and aristocratic state system. That means the end of private property, except in a restricted sense, and the replacement of the present profit system by a higher ideal of co-operative service."

Nehru's acceptance of Marxist doctrines was not, however, unqualified. He was too much of an individualist and a believer in personal freedom to like regimentation overmuch. While Marxist theory, analysis and logic appealed to him, he found them wanting in certain respects. "Life is too complicated, and as far as we can understand it in our present state of knowledge, too illogical," he declared, "for it to be confined within the four corners of a fixed doctrine."

Nehru's own economic ideas were contained in a comprehensive report of the National Planning Committee in 1938, formed by the Indian National Congress. The Committee was set up with Nehru as chairman to draw up blue-prints to help future planning of economic, social and cultural activities by the Government of Free India. There was an air of unreality about any such planning for Free India back in 1938, but the work was undertaken, nevertheless.

Perhaps one of the most significant things about this Committee was that it included industrialists and businessmen, agricultural experts and labour leaders who assessed various projects in concrete down-to-earth terms that impressed Nehru lastingly.

The recommendations of the Committee were

more reformist than socialistic in outlook. It did not intend to exercise rigid state control over all industries, but rather to regulate them. The role of private enterprise was recognized, but its scope restricted. State direction of key industries was suggested, while it was proposed that public utilities be run by some semi-government agency similar to the London Transport Board. Co-operative farming and the right of the tiller of the soil to own land were endorsed.

In evaluating this report of the Planning Committee, Nehru declared: "Constituted as we were, not only in our committee, but in the larger field of India, we could not then plan for socialism as such. Yet it became clear to me that our plan, as it developed, was inevitably leading us towards establishing some of the fundamentals of the socialist structure. It was based on planning for the benefit of the common man, raising his standards greatly.... and all this was to be attempted in the context of democratic freedom and with a large measure of co-operation of some, at least, of the groups who were normally opposed to socialistic doctrine. That co-operation seemed to me worthwhile even if it involved toning down or weakening the plan in some respects."

During the decade that followed this report and up to the present time, the massive destiny of India's 350 million people has been in large measure directed by Nehru. No important plan was set into effect without his approval. All vital decisions bore the impress of his consent. As Foreign Minister, he determined India's attitude in international relations. As Prime Minister his views on economic affairs were mirrored in the Government's domestic policy. India's government became known as the "Nehru Government."

Freedom entailed suffering in India and the Nehru Government faced complicated issues. The division of the country into India and Pakistan had adverse repercussions on the former's economy. The supply of raw materials was reduced, transport was dislocated, and this

undermined production. Inflation threatened to throw the entire economy out of gear.

The year 1947 showed the largest volume of industrial disputes in India's history resulting from demands of the Dearness Allowance (the cost of living bonus). Mass migration following communal riots left the soil untilled and crops rotting. Acreage abandoned by Moslems remained uncultivated. Floods destroyed crops. The blight of famine menaced the entire country. The newly born state was up against economic crisis.

The first eight months of freedom were a period of economic adjustment and stop-gap arrangements. Nehru's time and energy were mainly devoted to coping with the crisis which he confronted. He made a nation-wide appeal for joint efforts to repair India's crippled economy. He launched an all-out production drive to save the situation and to curb inflation which, in turn, would lower the cost of living and remove the primary source of labour disputes.

His efforts met with remarkable success by the end of 1947. Production showed an upward trend. All vital industries—jute, textiles, steel and sugar—reached normal levels of output. Nehru declared all strikes to be an anti-social act; and as a result of his behest, together with general economic improvement, the strike curve went down. There were 3½ million fewer working hours lost within the next eight months, a 35 per cent. gain. Stringent food shortages were overcome by importing 2,400,000 tons of grain from abroad, especially the U.S. The danger of immediate starvation for millions was averted. By April, 1948 the country's overall economic picture emerged as hopeful and encouraging.

In that month, the Nehru Government announced its future economic policy. The Government is to exercise monopoly control over coal, iron and steel, aircraft and shipbuilding, in addition to the railroads and munition plants. Existing privately owned enterprises in this area are to be given 10 years in which to develop.

at the end of this time the whole question of their nationalization, with compensation, is to be reviewed. Inferentially, if they have contributed to the national prosperity in a manner satisfactory to the government, they may remain in private hands. Certain basic industries, such as salt, automobiles, tractors, machine tools, industrial and hydro-electrical equipment, rubber, paper, drugs and chemicals, textiles, shipping are to be subject to varying degrees of government control and regulation. The government is to generate and distribute all electric light and power through its own public corporations, similar to TVA. Cottage industries in weaving and manufacture of ploughs is to be encouraged. The rest of the industrial field is left open for private enterprise, but the State would also progressively participate and would not hesitate to intervene if private enterprise proved itself unsatisfactory.

The underlying principle of the plan is that the State must play an increasingly active role in the country's industrialization. It envisages, in effect, a "mixed economy" with certain industries run or controlled by the State, leaving wide areas for private and co-operative enterprises.

The adverse sterling balance resulting from British war-debts to India also influenced the decision against all-out socialization. The main requirements of India's industrialization—capital goods and machinery depended upon sterling assets for payment. Although the United Kingdom Government had promised to clear the debts, it failed to fulfil that promise, as Britain's economic situation went from bad to worse. The whole amount remained a post-dated cheque of a bank on the verge of collapse. India secured only £. 80,000,000 for the next three years, beginning with 1949, out of her sterling deposits, of which only 15,000,000 was multi-convertible during 1948-49. This severely restricted capital goods imports from the U.S., the only country which could supply them. No direct payment in Indian rupees was possible, since they were "pegged" to sterling. The pace of industrialization was slowed and its range narrowed. A

complete ban on private enterprise would further constrict output. Nehru put Socialism into cold storage for ten years in an effort to develop the country's industry on a basis of joint partnership between the state and private enterprise.

Following the Government's policy, Nehru promptly went ahead with planning and execution of such projects as multi-purpose river dams, locomotive, aircraft and fertilizer factories. Under his chairmanship a national planning committee was set up for the purpose. Dams for electric energy and irrigation received top-priority, to reduce India's dependence on food imports. Projects already under construction will irrigate 27 million acres of uncultivated land and make India self-sufficient in food by 1951.

This experiment in mixed economy on the part of the Nehru Government met with resistance that set it back. Indian industrialists with whom it sought co-operation saw in the Government's economic policy the Red Menace, and they took a dim view of prospects for private enterprise. They looked on the plans as strategy to get them to expand their industries for ten years, only to deprive them of their holdings at the end of that time.

To encourage businessmen and allay their fears, certain controls were relaxed. Until the nationalization was further clarified and programmes and guarantees for private enterprise assured, capital remained shy. Official spokesmen said that nationalization of existing industries was only a possibility rather than an immediate probability. Nehru told India's business community that future developments would be dictated more by practical considerations than by official policy statements. Tax concessions to management were widely granted.

Private capital in India still remains partially on strike today. Nehru has recently therefore turned towards foreign capital to finance India's industrialization. Foreign capital investors, however, were also aware of Nehru's reputation as a Socialist. News of the limited scope for

private enterprise in India made them cautious. They were reluctant to underwrite what they believed would be but another scheme to build another socialist country in the world.

The growth and progress of industry in India hinge on the question of nationalization. Whether or not to nationalize is Nehru's problem. Recently he indicated his willingness to put off at least parts of the nationalization programme for a decade, and perhaps indefinitely.

In a recent interview he said, "In the remote event of nationalization of certain industries, the American investor would be compensated in dollars....As long as (key) industries are kept going and are employing many people, we would rather use our resources for developing new projects and employing more people. If these industries are well managed privately, we see no need for nationalization at any time."

"As to key industries," he continued, "despite the previous plan for state ownership.... we've done nothing about them, and we are putting off consideration at least for ten years."

He also declared that he was anxious to build in India a middle class which, like the American middle class, would prove the strongest possible bulwark against communism.

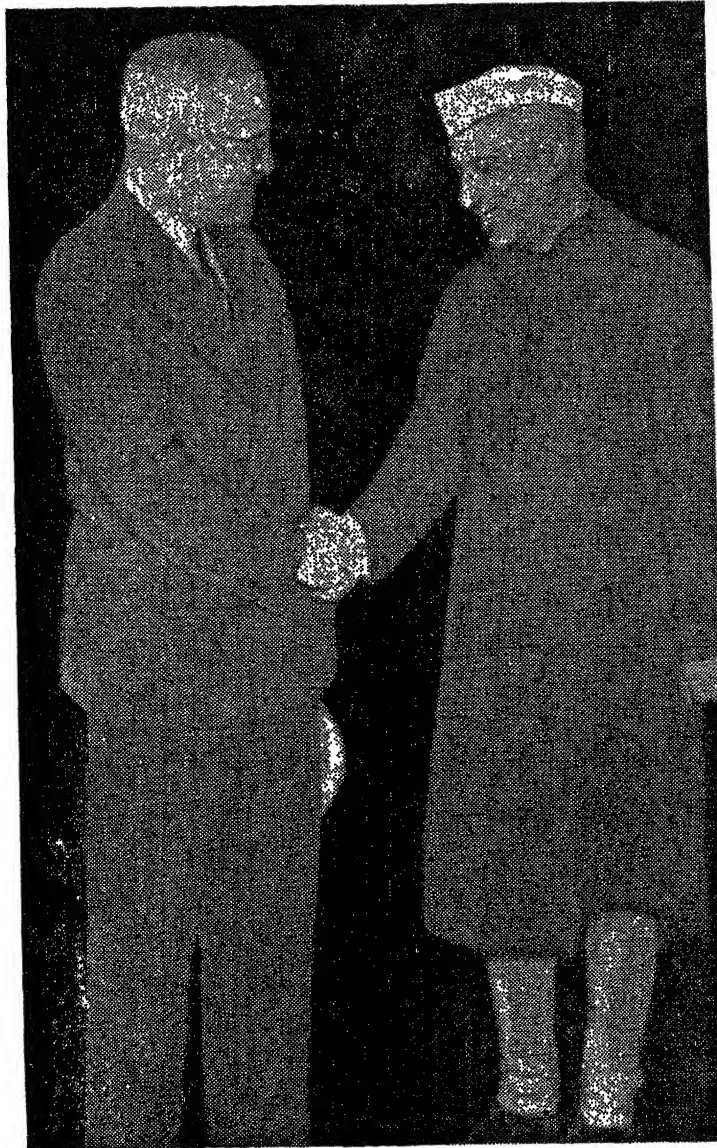
This statement may or may not draw foreign investments towards India, but it does exemplify the transformation of Nehru's economic views. In the "scientific" sense, nationalization is the first step towards Socialism. But Nehru's willingness to abandon nationalization refutes his own belief twenty years ago that the principles of Socialism in Marxian form could be readily transferred to India, and also shows his ability to adapt his thinking to realistic conditions.

Gandhi once said about Nehru, "He is undoubtedly an extremist, thinking far ahead of his surroundings. But he is humble and practical enough not to force the pace to the breaking point. The nation is safe in his hands."

Nehru has avoided that breaking point by his ability to concede and compromise. His idea of the mixed economy is born out of this mental set, and reflects his attempt to find a synthesis between two conflicting economic doctrines. How far this will be successful in solving India's manifold economic problems will be revealed by the future. But the sincerity of Nehru's economic goal is unquestionable. Certainly its wisdom is being tested on the anvil of economic realities.

ASOKE KUMAR DUTT,
From "United Nations World."

PANDIT NEHRU IN THE U.S.A.

NEHRU, GREETED BY TRUMAN, PREDICTS FIRM
U.S.-INDIA TIE

Pandit Nehru's arrival in Washington was extraordinary not only as a symbol of an East-West meeting under almost flawless circumstance, but because it was the widely travelled Indian statesman's first visit to the United States.

This fact was noted in the Prime Minister's own

brief remarks, and President Truman, on hand to greet his guest with a formal military reception, saw the occasion as something of an historical parallel.



"Destiny willed it," said Mr. Truman, "that our country should have been discovered in the search for a new route to yours. I hope that your visit, too, will be, in a sense, a discovery of America."

Travelling from London in President Truman's big, well-appointed airliner, the Independence, Pandit Nehru and his party settled down out of cloudless skies on the runways of the National Airport precisely at 4.30 P.M. the time of his arrival that had been estimated on the basis of his departure from Britain.

In addition to President Truman, as formal representative of the Government on the Cabinet level, were Dean Acheson, Secretary of Defence, and Charles Brannan, Secretary of Agriculture. There were also India's own Ambassador, Mrs. Vijaya Lakshmi Pandit, sister of the Prime Minister; Sir Oliver Franks, British Ambassador, and Hume Wrong, Canadian Ambassador.

RECEIVES 19-GUN SALUTE

The members of the party stepped out of the gaint blue, white and silver plane at about 4.40 and received the nineteen-gun artillery salute of the formal military reception as they stepped from the ramp to the earth, the first time, as Pandit Nehru said a few minutes later, that he had set foot "on the soil of this great country."

There followed, played by the Army Band the Indian national anthem, "Jana Gana Mana," a patriotic song based on the three entities "People, Society and Mind."

In the nattiest of their dress uniforms, companies of servicemen representing the Army, Navy, Air Force and Marine Corps formed the colour guard that was reviewed by the President and the Prime Minister. For the Army, it was a company from the oldest division, the Third Infantry, and bearing the colours were three officers dressed in the tri-cornered hat, brass-buttoned coat and knee-breeches of the Colonial Army.

From a red-white-and-blue draped stand, facing a declining but near-blinding sun, President Truman greeted Pandit Nehru "not only as the Chief Minister of Your Government, but also as the loved and respected leader of a great nation of free people." The President extended to the Prime Minister "the hospitality and good-will of the people of the United States with the hope that your visit among us will leave you with the firm conviction that we are indeed your warm friends."

SEES FRUITFUL CO-OPERATION

Pandit Nehru replied that his visit to the United States "brings about the fulfilment of a long-felt desire."

"I come to you, Mr. President," he continued, "bringing to you and to this great republic the cordial greetings of my Government and my people of the new republic to be of India, and I trust that these two republics of the Western

world and the Eastern world will find many ways of working together in friendly and fruitful co-operation to our mutual advantage, and for the good of humanity."

ASIA DEFENCE PACT PUT OFF BY NEHRU

PRIME MINISTER OF INDIA CALLS SUGGESTIONS THAT NATIONS UNITE 'PREMATURE'

Pandit Jawaharlal Nehru, dismissed as "premature" suggestions that the Asiatic nations form a defence alliance similar to the North Atlantic Pact.

The Indian statesman, addressing a National Press Club luncheon, declared that conditions in Asia were such that a defence pact would not be feasible at least at this time.

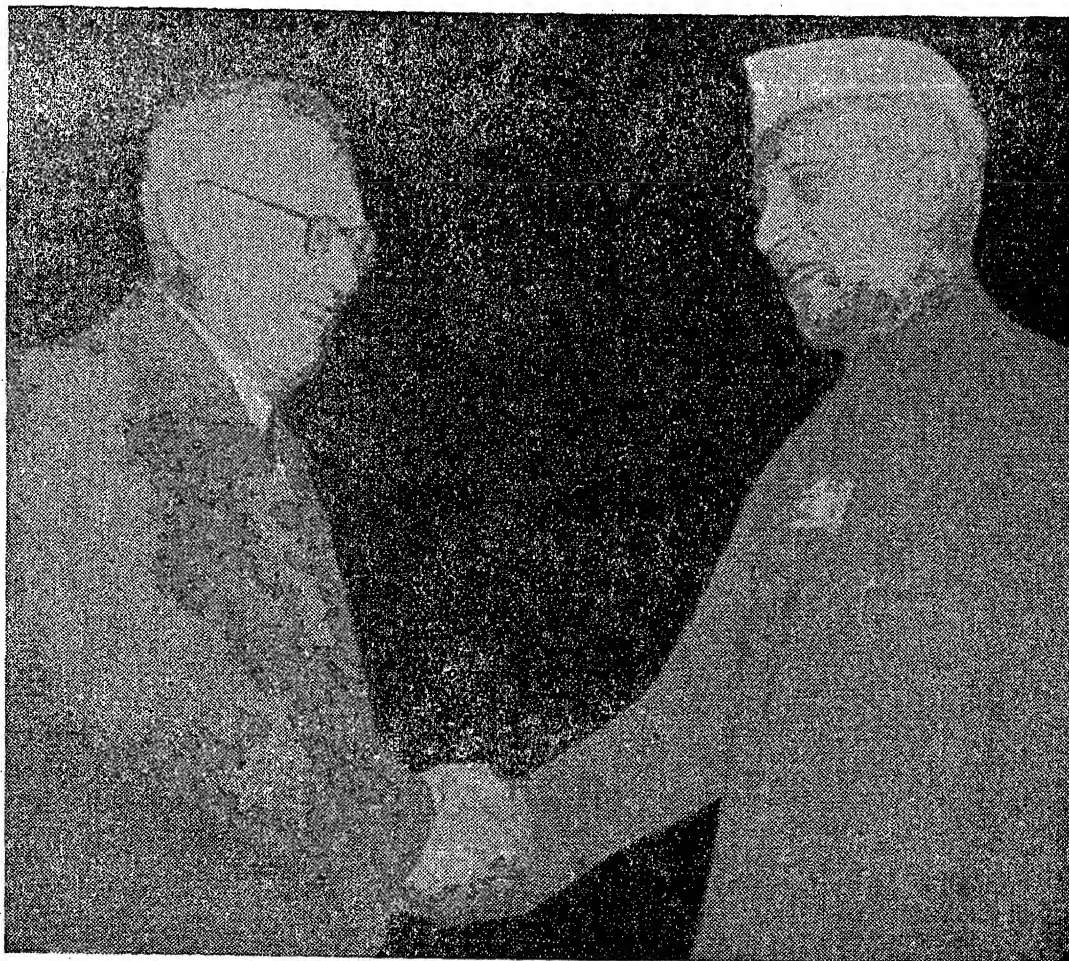
He gave this answer to a question asking whether such an alliance were "possible or desirable." He spoke of the regional divisions of the Asiatic nations, and added:

Such a union, designed to check the spread of communism, had been proposed for the South-East Asiatic and Pacific states by Elpidio Quirino, President of the Philippines.

Replying to another question, the Prime Minister said that United States investments in India would be "welcomed" by his Government. Commenting on the "encouragement" of such foreign capital, he said that profits would be allowed and that they could be taken from the country.

Block

AN INTERNATIONAL MEETING



Prime Minister Nehru being greeted by Soviet Foreign Minister Vishinsky at reception in honour of the Indian leader at the Weldorf Astoria.

NEHRU SAYS INDIA WILL HOLD ALOOF IN 'COLD WAR'

India has no intention of committing herself either to East or West at this time, declared Pandit Jawaharlal Nehru, on his first visit to New York.

In an airport interview the political heir of the late Mohandas K. Gandhi was asked about a report that he had made no definite or implied commitments to align India with the West in the "cold war".

"We have no intention to commit ourselves to

anybody at any time," he replied. "The question does not arise and did not arise anywhere."

TO FOLLOW DEMOCRATIC METHOD

Asked to define India's position in the struggle between democracy and communism, he said :

"Basically and absolutely, we follow the democratic method and a policy of peace."

Later, at a reception at India House, the Prime Minister said that after 400 years of British rule India did not want any specific ties.

"I think I don't want any ties, and I think the best ties are no ties," he told a gathering of 300 fellow-countrymen.

Pandit Nehru said his three-week visit was precisely what he said it was—a good-will tour to strengthen friendly and cordial relations with this country and to inform himself about America. While India could use aid from countries like the United States, he said it would "make good any way" if no aid was forthcoming.

"It is important that India and the United States understand each other and co-operate together," he told the gathering. "There are many ways in which the United States could help us and we would welcome that help. But again I say, that was not my purpose in coming here. We are too proud and confident of our convictions to accept favours from others. We shall make good in spite of everybody."

PRIME MINISTER NEHRU SIGNING THE 'LITTLE GOLD BOOK'

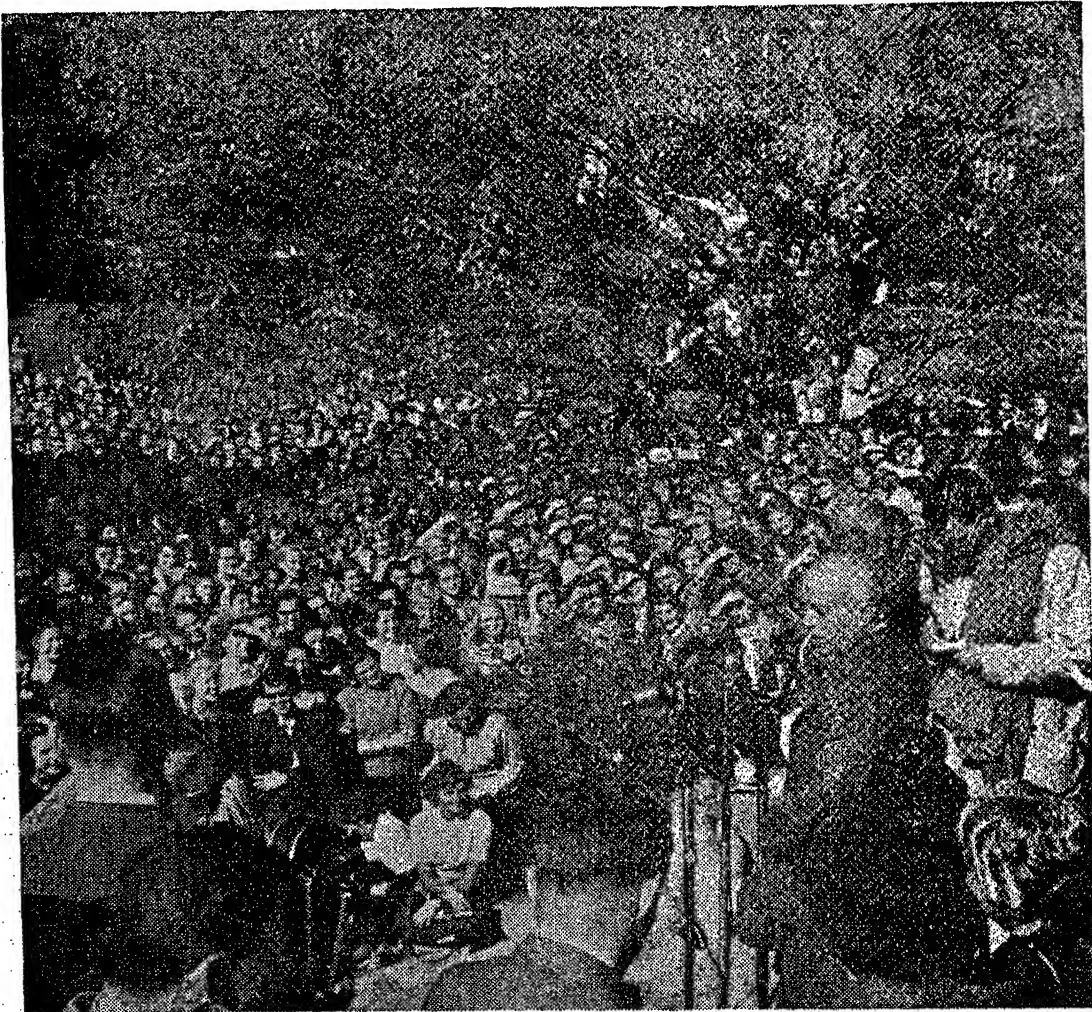


The head of the Indian Government at the National Press Club in Washington with his sister Mrs. Vijaya Lakshmi Pandit, Ambassador to the United States, and John C. O'Brien, Club President.

IMPORTANCE OF VISIT TO CAUSE OF DEMOCRACY STRESSED

The writer of the following letter to the Times.

foreign correspondent and lecturer, is the author of "Gandhi and Stalin," and "The Soviets in World Affairs."



IN NEW ENGLAND he speaks to Wellesley College students who crowd around and even perch in the tree tops to see him better.

Something indefinable in Jawaharlal Nehru's personality made an instantaneous impact on the United States. Mahatma Gandhi once called him an artist. Perhaps that is the explanation. "He is more English than Indian in his thoughts and make-up," Gandhi continued. "And he is a humanitarian in the sense that he reacts to every wrong, no matter where perpetrated. Though, therefore, he is an ardent nationalist, his nationalism is enriched by his

fine internationalism. He has compelled India ...to think not merely of her own freedom but of the freedom of all the exploited nations of the world."

Your editorial of October 11 was quite right, therefore, in saying that it is "to Nehru the man that the United States extends its warmest welcome."

Nehru is not merely the Prime Minister of an

important country. He is an idealist whose sympathies encircle the oppressed of the globe. He is a remarkably tempestuous and sensitive man with infinite tenderness punctuated by gusts of temper. He has suffered much in life, much more than he confesses to others or even to himself, and more than his face reveals. He suffers now from his country's and the world's unhappiness and his own inability

to render sufficient help.

Truman, Acheson, Louis Johnson, Secretary of Agriculture Brannan, who were at the Washington airport to greet him, and others whom he meets here must speak to his heart, for though Nehru's mind is keen and his pen sharp, he is, as a politician, chiefly heart. In India, that is an asset.



At Niagara Falls on his trip to Canada, bareheaded Nehru, wears a slicker while seeing the Falls from the excursion boat Maid of the Mist with Canada's Secretary of State for External Affairs, L. B. Pearson (left), and Ontario power commissioner Robert Saunders.

TWO NATIONS LINKED

The President was particularly happy in his little welcoming speech to Nehru. On the eve of Columbus Day, Truman recalled that America was discovered on a voyage to India, and he hoped Nehru's visit too would be "in a sense a discovery of America." Nehru's latest book is entitled "The Discovery of India." Late in life he discovered the secret of his own country, and if he could now discover America, world

democracy will have won a major victory.

For, India could be the anchor of freedom in Asia. It is the largest solvent stable democracy in the East. But around it swirl dangerous totalitarian currents, and in it hundreds of millions, literally live in animal poverty. India's future is uncertain partly as a result of these objective circumstances and partly because she has not quite made up her mind.

Nehru too needs convincing. Like innumer-

able European and Asian intellectuals he has doubts about American democracy. Like innumerable intellectuals in the Nineteen Twenties and Nineteen Thirties he had illusions about Soviet Russia which die harder in him than in most.

I can only guess what is the purpose of Nehru's visit. Our purpose should be to win his heart. He is Prime Minister and should be talked to and treated as such, but he is above all the militant anti-fascist of the Thirties who remembers the sins of the appeasers and imperialists of the West. China, Loyalist Spain and Czechoslovakia at Munich time were his passionate causes.

Today his cause is Indonesia; it is something which moves Indians as the Russian issue moves the majority of Americans. It is their touchstone of sincerity. I think Nehru's discovery of America would be well on its way if we could prove to him that we will insist in deed on the independence of the Dutch East Indies.

AIM OF SELF-SUFFICIENCY

Something else. Many Indians live in luxury in the midst of semi-starvation—even actual starvation of their people. A visitor to this country from India, and the returning American, cannot fully appreciate our might because he is so impressed by our plenty. Independent India is making valiant efforts to remove the backwardness of centuries and become self-sufficient in food. Some successes have been achieved, but this is a task that will take more than two or three years. Meanwhile people die of hunger and of diseases bred by hunger.

That is stamped on Nehru's heart. He carries it with him every hour. He will wonder, no Indian can help wondering, whether sated America could not send India some of our surplus: unsaleable wheat and other grains until the battle of bread and rice is won. The Indian peasant will bless America, the American farmer will benefit, and Secretary Brannan will have fewer headaches.

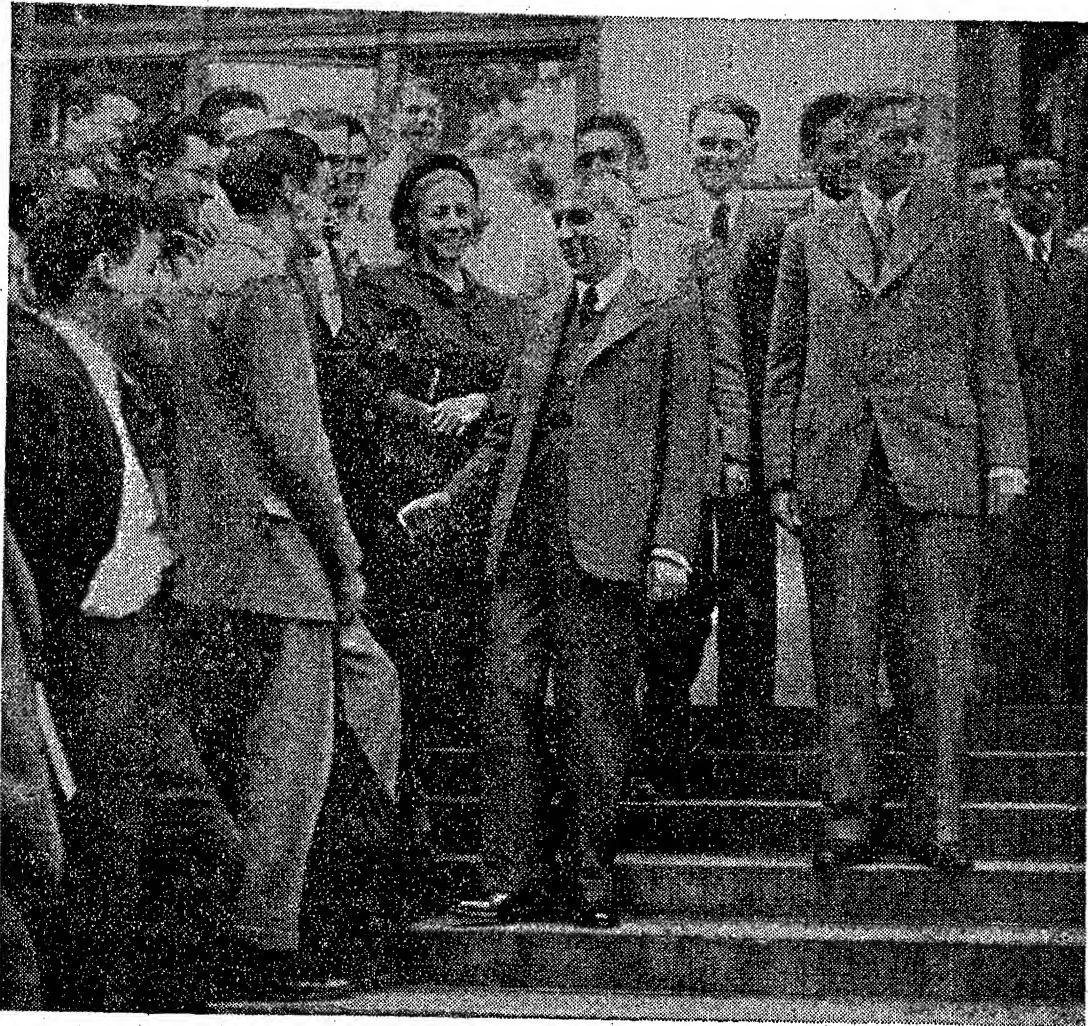
Treaties, pacts, trade agreements interest a person like Nehru much less than demonstrations of living humanitarianism. We are a generous people, but India has seen none of it. Our foreign policy is increasingly farsighted. But it has not touched India. Negative anti-Sovietism will have no appeal to Nehru. He is searching for a new world. Will he discover it in America? Are we the new world?

Recently in your paper James Reston spoke of Nehru as a Marxist. I do not think he would say he is a Marxist. The last time I saw Nehru in New Delhi, in August 1948, he said that as he grew older he judged individuals more by their character and integrity than by their isms. He added that Christ and Buddha appeal to him most. He will look for our virtues and judge us by them.

His is a fateful sojourn. Asia is swaying in the wind of history. Asia is more than half of humanity, more than a billion men, women and children. They live in perpetual torment. They want understanding and sympathy. Without these material help will not avail. Any hint of inferiority, any seeming threat to their independence will be resented. We are dealing with people to whom the white man of the West has been very cruel.

LOUIS FISCHER.

Block



AT HARVARD Cambridge-educated Nehru is escorted through a crowd of grinning students by President James Conant (right) on a tour of the University.



Nehru chats with famous Negro singer Marian Anderson at a writers' and artists' party given for him by Dorothy Norman.

NEHRU'S POSITION STRONG

CONGRESS PARTY MAKES ITS PLANS FOR FIRST GENERAL ELECTIONS, TO BE HELD IN 1950

With the new republican Constitution about to be passed, India's one-party Government still stands without serious challenge, but opposition is taking tenuous shape for the first general election to be held about one year from now.

Most observers think the Congress party headed by Prime Minister Jawaharlal Nehru will continue to run the country for at least ten years. Others more critical of the Congress, say five. It is difficult to see where the force will be generated for a political overturn before that time.

There is at present no such thing as an opposition party in the Indian Parliament, and even critics usually vote along with the majority when debate is over.

SIX OPPOSITION GROUPS

There are six political or quasi-political groups in opposition to Congress policies. The two

largest happen to be in the extreme right wing and it appears that the Congress party, one nominally Socialist, may now try to absorb this important segment of opposition. If this works out it may have a far-reaching effect on the future course of India's internal affairs especially.

There seems little likelihood of a Leftist coalition. Socialists, who claim more than 750,000 members, and communists, claiming 60,000 card carriers, are anathema to each other.

Prime Minister Nehru is inclined to discount the political strength of the Communists. He believes that their violent tactics have become a boomerang. This is the official Government view.

Socialists, with a large following among labour unions, occasionally show some strength in local elections, but they have a long way to go before they become a serious threat to unseat the Congress. Their Wisconsin-educated leader, Jai Prakash Narain, inferentially admitted recently that India is unready for a Socialist Government.

Otherwise, he said, the Socialists would be stronger than they are.

REFORMS NEEDED

Nehru's problem as party leader is obviously bound up with his problem as Prime Minister. Briefly stated, the problem—and Nehru's goal—is to make it possible for his neglected and exploited countrymen in villages and urban slums to get more of the necessities of life. This involves too many reforms in too many fields to list here, but elimination of corruption and inefficiency in his own party's government is one of them.

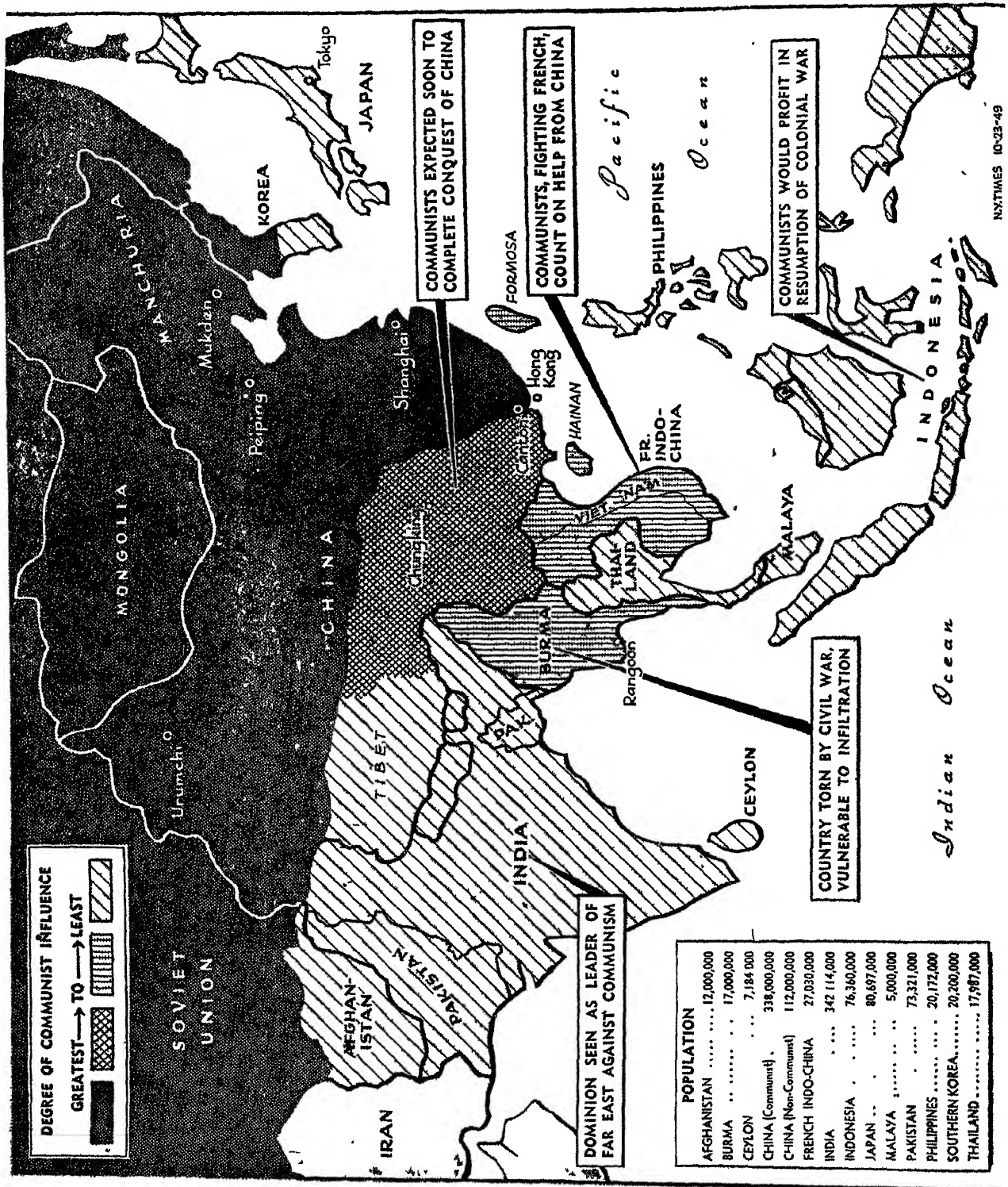
Removal of some of the sources of discontent certainly would redeem the Congress party in the eyes of many of its critics. Of course, if

this country is ever to become a parliamentary democracy in the American and British sense—and this seems to be a long way off—an opposition party of respectable strength must and will develop. If there is any real sign of this future election must ring it forth.

Nehru's political strength and personal popularity are beyond question. India idolizes him and the country's pride in him grows greater every time he steps on to the international scene. His speeches in the United States have undoubtedly pushed him to greater eminence at home.

This is not to say he has no enemies among his own people. But as nearly as an outsider can judge in a nation so vast and populous they are a small minority.

R. TRUMBULL.



NEHRU PROPOSED AS SUPREME MEDIATOR BETWEEN EAST AND WEST

Amid great secrecy, certain U.N. circles are preparing a crucial world diplomacy move as a supreme effort to allay and even abolish the explosive tensions between East and West. The idea is to develop discreet but powerful pressure on the current General Assembly to appoint Prime Minister Jawaharlal Nehru of India as supreme mediator between the Western and Eastern blocs.

The sponsors of this idea have decided not to approach Washington or Moscow on this subject for the time being. They do not want to convey the impression that any such negotiations have been conducted with the knowledge or approval of either side. Instead, they prefer simultaneous negotiations in due course. The psychological climate in Washington and Moscow is such that the consent of one before the other might endanger the success of the whole project. Hence, negotiations are at present limited to those in the U.N. who have never ceased to believe that, despite the grievous divergences between the East and West, a formula for peaceful co-existence, for territorial stability and economic co-operation could be found; and that binding agreements covering all three could be reached for at least 10 to 25 years.

The plan, in its present stage, would endow the Prime Minister of India with full powers to organize his mediation in whatever way he feels best to insure success. His instructions from the General Assembly would merely call for an effort to convince not only the governments of Washington and Moscow, but also the allies of both, that if the whole U.N. concept is to succeed, it must achieve constructive co-operation between East and West.

According to the confidential plan, the U.N. should accord to the Prime Minister the broadest personal authority. He should be authorized to choose among the statesmen of the world the assistants he would like to have. The U.N. would

also place at his disposal a special secretariat to help him carry through his task.

In the view of those now exploring this plan, Mr. Nehru would begin by making a survey of all the outstanding differences between the East and West as well as areas of agreement. He would analyse the various proposals made by each side to achieve a *modus vivendi*. He would try to work out a minimum programme of accord, which he would then discuss with the opposing governments.

It is felt that public opinion all over the world would strongly support any such initiative. It is also felt that no man today is better placed and more qualified than Mr. Nehru to undertake such a gigantic job. First of all, Mr. Nehru's country, which has just won its independence, is in the forefront of those vitally interested in maintaining international peace. As one of the outstanding internationalists of our time, he is particularly equipped, both on the basis of his intellectual achievements and his fundamental beliefs, to attempt a mediation mission unique in history.

Furthermore, advocates of the idea suggest that Prime Minister Nehru, fresh from the acclaim of his American visit, would also be similarly received in Russia. They further affirm that in view of his high standing all over the world, the Kremlin could not refuse to negotiate with him. The major difficulty foreseen at this stage is that Prime Minister Nehru might hesitate to undertake this task lest failure impair his global prestige. He would want to get some advance assurances that his mission would have a reasonable chance of success.

It would also be necessary for the U.N. to draft a resolution that would enable Mr. Nehru to act as a U.N. emissary rather than as the Prime Minister of India. Another reason assigned for any display of hesitancy on Mr. Nehru's part is that his presence in India is urgently required, especially in these critical times, when many economic, industrial, educational and political problems demand solution.

However, the Indian people and government might accede to his acceptance of this mission because of the pivotal importance it would give to India in world affairs, and the enormous prestige it would carry with it.

THE EDITORS, "*United Nations World*" Nov. 1949.

THE DEVELOPMENT OF COTTAGE AND SMALL-SCALE INDUSTRIES IN BOMBAY

The importance of cottage and small-scale industries to the economics of predominantly agricultural countries in affording employment to large sections of the population and in preserving traditional skill and art has long been recognised. The I.L.O. has naturally been interested in their development, and recently two regional conferences of the Organisation, the Preparatory Asian Regional Conference and the Regional Meeting for the Near and Middle East, adopted resolutions laying special emphasis on their role in the economic and social reconstruction of the regions concerned, and requesting the I.L.O. to collect information on the subject. The following article describes the efforts being made in one of the Indian provinces to make employment in cottage and small-scale industry economically remunerative.

INTRODUCTION

The Government of India has assigned a special role to cottage and small-scale industries in its industrial policy, and on the recommendation of the Indian Industries Conference held in New Delhi in December 1947, it has set up the All-India Cottage Industries Board, which held its first session on 13 and 14 December, 1948. The Board is presided over by the Minister for Industries and is composed of representatives of the central and provincial Governments, major States and unions, and organisations representing the interests of small-scale and cottage industries. It has the task of advising and assisting the Government in the organisation and development of cottage and small-scale industries, examining how these industries can be co-ordinated with large-scale industries, examining schemes of the provinces and States or promoting these industries and assisting

them, and of advising on the marketing of their products in India and abroad.

At the first meeting of the Board several resolutions were passed dealing, inter alia, with the co-ordination of small-scale and cottage industry with large-scale industry, co-operative development, and training, credit and marketing facilities. It was resolved that provincial and State Governments should be primarily responsible for the development and expansion of these industries, and that the Central Government, acting on the advice of the Board, should give assistance by way of co-ordination and technical advice. The Board recommended that all provinces and States should undertake a thorough survey of cottage industries of uniform lines approved by the Board. It also recommended that all provinces should establish cottage industries boards to co-ordinate work in each of them.

ACTION BY THE GOVERNMENT OF BOMBAY

The province of Bombay affords an interesting example of the efforts being made in Indian provinces in this field. Prior to 1946, in Bombay, as in other provinces of India, Government work of assisting cottage and small-scale industries was entrusted to the Industries Department (which was also responsible for the work relating to large industries). The organisation of the workers and artisans engaged in these industries and the provision of finance and raw materials were, however, entrusted to the Co-operative Department. In 1946 it was decided to transfer all work regarding village and small industries to the Co-operative Department in order to ensure their development as an organic whole. A Joint Registrar of Industrial co-operative and village industries was accordingly appointed in that Department.

At the same time a village Industries committee was set up, consisting of non-officials who had worked for the development of cottage industries and had contact with the villages. The purpose was to secure the support and influence of the social workers in this field and to ensure

co-ordination between their work and the official work.

A third important step was the organisation of the Bombay Provincial Industrial Co-operative Association, composed of persons interested in artisans and workers productive or "industrial" co-operatives. The main function of the association was to act as an agency for promoting the organisation of cottage and small-scale industries on a co-operative basis and later to become the central affiliation body of the societies so organised.

In April 1947, following one of the recommendations of the Manu Subedar Committee, a co-ordination committee was appointed, consisting of the Registrar of Co-operative Societies, the Joint Registrar, Industrial Co-operatives and Village Industries, the Director of Industries, and the Chairmen of the Village Industries Committee and the Provincial Industrial Co-operative Association. Its function is to co-ordinate and formulate schemes relating to the promotion of cottage industries in Bombay.

At present the Industrial Co-operative and Village Industries section of the Co-operative Department is mainly engaged in survey and research to determine which industries are best suited for immediate development and to improve techniques, in training workers in selected industries and in organising them into co-operative production units, providing finance wherever necessary. In this work it has the close collaboration of the Village Industries Committee, the Provincial Industrial Co-operative Association and the Co-ordination Committee.

The co-operative organisation of the industries which it is intended to build up in the province is based on a number of workers, productive societies for the different industries grouped into distinct industrial co-operative associations for the purpose of supply of raw materials and implements, sale of finished products and standardisation and improvement of techniques.

CO-OPERATIVE ORGANISATION

To total number of industrial co-operatives in Bombay at the end of October 1948 was 481, of which over 270 have been organised since April 1946. In 15 out of the 20 districts of the province, district industrial co-operative associations have been organised. They are in turn members of the Provincial Industrial Co-operative Association. It is estimated that joint production at the primary society is not undertaken in more than a hundred societies. In the rest the members work independently in their own homes. The societies supply them with raw materials and accessories and improved implements.

PRIMARY SOCIETIES

Of the total number of primary societies, handloom weavers' societies are the largest, numbering 225 and grouping some 60 per cent. of all the handlooms in the province. But new types of societies have been growing rapidly of late. There are now 80 tanning and leather working societies, 17 carpentry and blacksmithing societies, 14 women's societies for embroidery, tailoring, etc., 8 metal workers' societies, 13 oil making societies, and 11 societies for cane and bamboo work. Special mention should also be made of the 22 forest labourers' societies.

In five districts of the province there is a considerable indigenous or semi-aboriginal population and, as a part of the effort to ameliorate their conditions, co-operative societies have been organised among them for undertaking contract work in the forests and for making charcoal. Since the members are backward, the societies are run with the assistance of social service bodies working among them for their welfare. It is reported that through these societies, the earnings of the indigenous people have increased and that they are gradually being freed from the control of contractors and money-lenders whom the societies are replacing. The Government grants them licences and contracts at preferential rates,

DISTRICT INDUSTRIAL ASSOCIATIONS

The main work of the 15 district associations so far has been the distribution of yarn to weavers' primary societies. During the year ending 31st March, 1948, yarn to the value of 22½ million rupees was supplied by them. They are now beginning to undertake work for other types of societies also.

BOMBAY PROVINCIAL INDUSTRIAL CO-OPERATIVE ASSOCIATION

As mentioned earlier, the Association was formed in 1946. It began its activities organising societies and simultaneously training organisers, honorary and paid, and secretaries of societies. It was instrumental in starting 60 societies. Eight training classes for secretaries of societies were held, and 65 secretaries were trained. The Association is now acting as a supply and marketing agency of the primary societies and associations. It has been decided to suspend its organisational activities for the time being and to concentrate on the business side. During the year 1947-48, it supplied raw materials and marketed finished products worth approximately 100,000 rupees each.

MARKETING AND FINANCE

The main channels of marketing at present available to the cottage industry producer apart from the middleman financier are the co-operative associations and the sales depots run by the Government, which are five in number. The depots generally buy the products outright, but also sell on commission. A few more depots are to be established. It has been decided to transfer the depots to the co-operative associations in due course wherever possible.

The owned funds of the societies and associations are insufficient for their efficient working, and subsidies and loans are accordingly granted by the Government from time to time. Under the rules for the grant of financial assistance to artisans, co-operative societies are preferred. The Joint Registrar is authorised to allocate up to 5,000 rupees for the purchase of tools and another 5,000 rupees for working capital to

each co-operative society as a loan. Half of the amount for the purchase of tools can be granted as a subsidy.

The total working capital of the societies as at 31 March 1948 was estimated at some 12½ million rupees, with a turnover of some 35 million rupees, of which latter sum yarn and handloom cloth alone accounted for 25 million.

It is now being considered whether an independent industrial co-operative financing structure consisting of provincial and regional or district industrial co-operative banks should be built up to provide the funds required. A provincial co-operative conference in April 1948 recommended the early establishment of a Bombay Provincial Industrial Co-operative Bank.

It is recognised that an important part of any programme to assist handicraftsmen and workers engaged in cottage industry is to provide adequate training facilities for them so that they may learn better techniques and use better tools. The two methods of training adopted in Bombay are through regular schools, institutes and farms and through demonstration.

In 1947-48, 21 schools were in existence and trained 413 persons. The more important types of schools and the number of workers trained during the year and those under training are shown below :—

Type of school	No. of schools	No. of workers trained	No. of workers under training
Cotton weaving schools ..	10	174	62
wool weaving schools ..	3	35	26
Coir manufacture schools ..	1	47	15
Oil-seed crushing training centre ..	1	48	6
Leather working schools ..	2	14	21
Government silk farm	1	37	8
Sisal fibre institute ..	1	33	6

SOURCE : Information supplied by the Government of Bombay.

The total number of demonstrations arranged during the year was 37, and 727 workers were

trained through them. The more important types of demonstrations and the number of workers trained through them and those under training are indicated below:—

Type of Demonstration	No. of workers trained	No. of workers under training
Tanning	260	105
Cane and bamboo work ..	88	47
Carpentry	21	13
Fibre work	48	22
Wool weaving	63	20
Cotton weaving	115	24
Coil brush and rope making	23	12
Dyeing and printing ..	71	8

SOURCE: Information supplied by the Government of Bombay.

In all, the 58 training schools and demonstrations trained 1,140 workers during the year, and 447 were under training. Certain schools and demonstrations are intended mainly for hereditary artisans, while others are reserved for persons belonging to backward classes. Stipends are granted to most of the trainees.

A technical staff conference was held in April 1947 to review the training programme, and an expert committee, appointed by it has made certain recommendations to the Bombay Government. All demonstrations are to be converted into peripatetic schools. The period of training is to be extended and made uniform, and syllabuses are to be prepared. The scales of pay for instructors and stipends to students are to be raised to attract suitable teaching staff as well as a sufficient number of trainees. It is proposed to organise another 50 peripatetic schools for the different industries. Facilities to trainees for obtaining better tools for their own use are to be provided through stores attached to some of the training centres.

WORK CENTRES

It is also proposed to set up post-training work centres, to be run by the Government, for giving further practical training and for enabling

trainees to settle in their industries. In addition, 12 work centres are to be opened in selected areas to afford employment to villagers in making agricultural implements and in industries using fibre, wool and tobacco.

RESEARCH

The technical staff attached to the Co-operative Department is constantly engaged in research for devising new or improved techniques. The Government maintains a Village Industries Experimental Workshop, where pilot plants and new tools are designed and tried. The work shop is run under the supervision and guidance of a sub-committee of officials and non-officials which also makes recommendations regarding new schemes.

Among the more important items of research and schemes under consideration by the Government, special mention should be made of experiments of automatic and hand-spinning machines, automatic and hand presses and other appliances for making such things as locks, buttons, umbrella ribs, wire-nets, etc., on a cottage and small scale basis, and experiments for improving small scale oil-seed crushing machinery. A pilot plant for charcoal making is under erection. Research is also being conducted with local clay for improving kilns for the ceramic industry. Brochures on some industries have been published by the Government, and others are in preparation.

Recently the Government sanctioned the organisation of a Village Industries Research Laboratory to conduct research for improving the efficiency and output of existing village industries, to adapt researches made elsewhere to local conditions and to see how fresh occupations can be supplied to the rural population.

It is the policy of the Government to make the fullest use of co-operative organisation for spreading the results of research. These results are first to be applied in the work centres, which are subsequently to be converted into co-operatives run by the workers themselves.

CONCLUSION

It is as yet too early to measure the results of this new drive for cottage and small-scale industry in the province of Bombay, but the practical working of the new administrative organisation, under which the Co-operative Department is mainly responsible for these industries, is being watched closely in other provinces of India, and the experience gained in Bombay will no doubt also be of great value even outside India. It would be safe to conclude at this stage that plans for the development of these industries, or even for preventing their decline and the consequent unemployment and under-employment, should be comprehensive and should include research for improving efficiency and output, the technical training of workers through schools, demonstrations and work centres, and their co-operative organisation to ensure economies in production and marketing.

From:— "INTERNATIONAL LABOUR REVIEW "

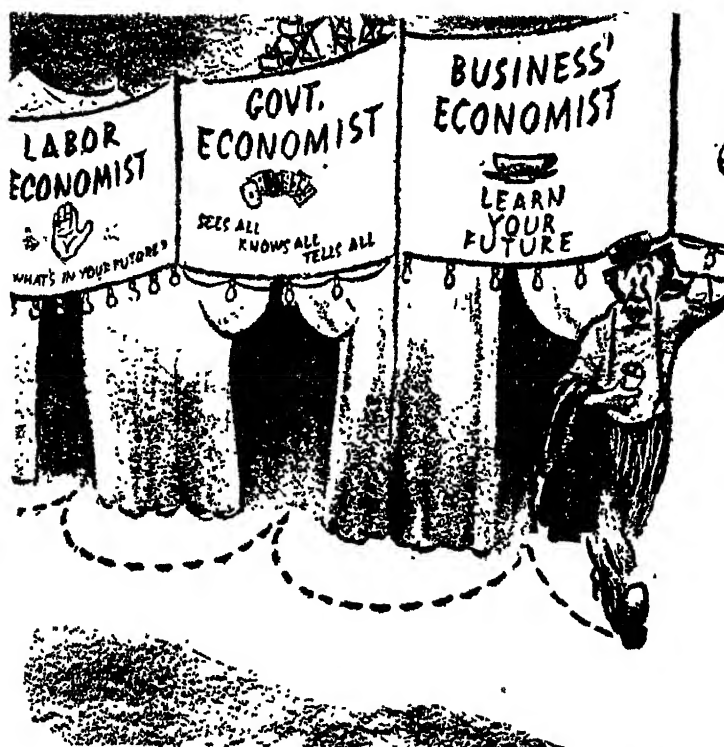
TWO YEARS OF THE MONNET PLAN

At the time the plan came into operation

recovery was already in full swing. What the plan did in the main was to divert resources from consumer industries to essential industries. Investments in basic industries absorbed almost the total franc counterpart of Marshall Aid with preference for nationalized industries, a policy not universally approved.

In 1948 the production targets were not generally attained and in some cases the gap between estimates and actual achievements was considerable, as, for example, in the case of coal, steel and cement. The electricity industry nearly reached its target: only the petrol refining industry exceeded the estimate.

The plan has now undergone various modifications and some of the targets are much less ambitious. But, though many of the goals have not been attained, there have been remarkable strides in industrial activity; the national revenue is estimated to be 18 per cent, higher than in 1946 and exports have been doubled. The next target, M. Monnet says, is to "produce better and cheaper."



Lewis in The Milwaukee Journal

"Maybe I could believe them if they all told me the same line."

Production

NEW LEVY ORDER

The Government of Hyderabad through the Notification of the Supply Department No. 67 dated 22nd Aban, 1358 F., in supersession of the previous notification No. 290 dated 19th Shehrewar, 1355 F., promulgated an order "The Hyderabad Foodgrains Levy Order 1358 F." which came into force with the publication in the Jarida. Orders have been issued to all the Civil Administrators to take in hand the preparation of the levy registers and the serving of levy bills as soon as possible.

According to this order, every holder of the land shall have to sell the Government at the prices notified by the Government a quantity of foodgrains determined in accordance with the average land revenue assessment of the holding, food acreages, and yield, after deducting the basic quantity of foodgrains for the use of cultivator's family, and for the purpose of seed and servants. The basic quantity for cultivators' use is fixed at $27\frac{1}{2}$ maunds per family of five members. For a family of more than five members, more foodgrains are left at the rate of $4\frac{1}{2}$ maunds per adult member and half that quantity for child.

No holder shall pay in kind any rent or instalment in repayment of a loan to any other person until he has sold and delivered the quantity of foodgrains as required by this Order.

For the purpose of this Order foodgrains acreages shall be whole of the holding if under paddy and half if under other foodgrains. In case of predominantly kharif areas half and predominantly rabi areas two-third of the holder's holding is taken for the calculation of leviable acreages. The foodgrains, at present, include jowar, barja, paddy, wheat and ragi.

If a holder fails to pay the prescribed levy, the Tahsildar or Assistant Civil Administrator shall be competent to recover from him as arrears

of land revenue a sum which shall not be less than three times and extend to ten times the value of the levy due from him under this order.

Any contravention of this order shall be punishable with imprisonment which may extend to 3 years of imprisonment and fine.

INDIAN PRODUCTIVITY VERSUS BRITISH AND AMERICAN PRODUCTIVITY

America is the richest country in the world to-day. Her hard and unremitting labour has put her on top of the Economic World. All economists agree that hard work coupled with the most modern technique alone will ensure high productivity, high wages and low cost of output. India did enjoy a similar reputation of being a land of milk and honey some centuries ago. But to-day she is classified among the backward, undeveloped and inefficient countries in the world. We are rich in natural resources and our population is huge. What is the real cause of our poverty and economic backwardness? Some believe that our only fault is that the average Indian worker is not hard working.

RELATIVE PRODUCTIVITY

American productivity is topmost per man-hour and can be evaluated at Rs. 3,000 to 4,000 per month. Indian productivity is shamefully low. Taking the U.S.A. at 100, U.K. is 56 and India only 7. Even in the case of an ancient, well established industry, namely, the cotton textile, the index is 18. These figures should set us thinking as to why we should be inferior to the British or the American workers. The worker's wages in India have been substantially increased and this can prove a stimulus for increasing their efficiency.

Sir Stafford Cripps is also convinced that "the real way out of our difficulties lies in the increase of productivity." Britain also suffers

from low productivity compared to the U.S.A. But this dictum of "increasing productivity" should not obscure the more urgent and quick solutions because it is a difficult and slow process. The result does not follow immediately but in course of time.

WHAT IS PRODUCTIVITY

The term "Productivity" is freely used by everyone as a panacea for all economic ills, and to improve the standards of living. It is commonly interpreted as production per man-hour (P.M.H.) and from the nature of this definition is assumed to be a reliable index of the rate at which representative hourly paid workers are working in manufacturing industry. Comparisons can be made from one year to another to ensure whether efficiency is increasing or decreasing. The P.M.H. of an industry can be compared to the P.M.H. of another to reveal the relative superiority. Hence the unit of productivity helps the industry to know the exact position.

FACTORS WHICH DETERMINE PRODUCTIVITY

There are various extraneous factors which affect the P.M.H. in an industry, over which the worker has no control. They are equipment, labour research, organisation, marketing, Government controls, quality of raw materials used and other economic influences like mechanised transport, etc. Most important of all is the amount of horse-power of machinery available to the worker. In all these above factors, the American industry towers above the British manufacturing industry and accounts for higher productivity for most American plants.

Stopping at this would be absurd for there are other important influences. The system for production, planning, the lay out of plant and workshops, components and packing in the right quantities at the right time—these affect the rate at which goods can be made and despatched. When there is change in the labour personnel, it is bound to change the quantity of labour per unit of product. For instance, dur-

ing the war all the young sturdy men were conscripted and labour consisted of elderly men and women folk. The natural consequence of the change was decrease in the quantity of output. Even the quality of finished product is bound to suffer, if handled by different classes of workers and if the design is altered by the force of competition.

Since the technical skill of a worker is a potential factor for industrial output, special attention is being given to training and educating the worker to improve his standard of workmanship. Also the condition of certain old fashioned plants need reconditioning to attract workers from the comparatively newer ones. These two plans on the part of the Government or the management mean increase in expenses which is bound to prove advantageous in future years.

Quality of output is the real criterion of production. Specialised production of highly valuable and rare products enhances national reputation rather than large-scale mass production of cheap articles. Between the two classes of industry, labour costs and raw materials used are bound to vary.

It is clear from all the above illustrations that comparisons for productivity cannot easily be made without considering all the factors. The P.M.H. is a rough average per man year (P.M.Y.). This unit would be a measure to show the changes in productivity when capital equipment, management and man-power in an industry act together as a group.

Great caution must be exercised in the calculation of the indices of productivity. Unless all the factors illustrated above are taken into consideration before calculating the productivity unit of a certain industry the figures are bound to be misleading. Some managements miscalculate to serve their own interests. It should be the express duty of the Bureau of Labour Statistics (an impartial body) to collect the necessary data and then establish the productivity figures. If rightly calculated the indices are an

indispensable pointer for improving the standard of life—the key to potential progress in social well-being.

An index of productivity should be regarded as an index of the efficiency of utilization of resources says A.G.H. Dent (a British Correspondent of the Financial Times). Labour is an important facet of the resources item. The will to work on the part of the labourer depends upon his relations with management, individual incentive and the working conditions. This is an important aspect of productivity.

Indian indices of productivity show that we compare very poorly with America. But this should not discourage us. As Dr. Rostas observes “the relatively rapid rise in productivity in the U.S.A. has been going on for a whole generation. A great challenge is thrown to us.” This spirit of challenge should enter every Indian to go ahead in an industrial output.

As already pointed out, the Government of India should take a definite legal stand as in the U.S. against unnecessary stuffing of workers in an industry than is required. The labour unions must follow the principle of increased productivity which means lower cost of production. Secondly labour should be rationalised in India as in the U.S.A. The average Indian worker earns a beggarly amount. We must go the American way of reaching the largest of the monthly value of Rs. 8,000–4,000 per worker, by adopting extreme rationalisation. Our human capital is immense but we must employ it profitably.

Indian industry badly needs external capital in colossal amounts for development. Devaluation has adversely affected our importing industrial equipment from the hard currency area. We cannot import much from the sterling area because there is a new incentive on their part to export their goods to the hard area to earn dollars. There is an appreciable drain on our sterling credits to U.K. in financing unavoidable imports, from the U.S. We can only turn to foreign

investors (British and American) whose capital in India will help us much. India has liberalised its policy towards foreign investments.

There is much speculation about the Indian Prime Minister's visit to America. Some conjecture that his visit may bring the Truman Government to grant substantial aid on the lines of the Marshall Aid. The World Bank should also be more liberal in the loans to India. In the old pioneering days, Americans built up their country with the help of European capital. Even at the beginning of First World War in 1914 they were Europe's debtors to the extent of £. 2,000 million or Rs. 2,700 crores. To-day they are a creditor, nation. Though they constitute only 7 per cent. of the world's population they command 40 per cent. of the world's income.

VILASINI HARAVU

NUNDYDROOG MINES LIMITED

MR. M. A. SREENIVASAN'S SPEECH

The following is the speech delivered by Mr. V. A. Sreenivasan Vice-Chairman, Nundydroog Mines, Ltd., presiding over the 28th Annual General Meeting held in Mysore on September 30, 1949.

This is the first Annual General Meeting of the Company to be held in Mysore after the transfer on May 7 last of the seat of its control and management from London under the new agreement dated February 20, 1949, with the Government of Mysore. As you are aware, this agreement was the result of years of anxious thought and patient effort on the part of your Board and your Managers, and in particular, the ceaseless and untiring work of Mr. Sydney Taylor on the one side, and on the other side of many months of careful consideration and friendly discussion by the Government of Mysore.

GOLD DUTY

The agreement has been implemented. The

Government deserve your warm tribute for their farsighted step of abolishing the Gold Duty which for many years so seriously undermined the industry that the life of the goose that laid golden eggs was threatened with a premature end. You, on your side, ratified the agreement at the Extraordinary General Meeting held in London in May last in spite of the general feeling, which I well recollect, that the Government took too large a share of the eggs as contribution in addition to Royalties. It was, doubtless the paramount consideration that the longevity of the industry should be safeguarded that won acceptance for the new terms.

The repeal of the Duty did not come a day too soon. Indeed, experts are afraid that it might be a considerable time before the mine fully recovers from the injury caused by the Gold Duty.

In my speech at the Annual General Meeting of the Mysore Gold Mining Co., Ltd., I have spoken of the fundamental importance of this matter of longevity both to the State and to the industry. I have pointed out how the pay-line—*i.e.*, the grade of ore that just meet the cost of production—sternly and relentlessly decrees what shall be the ore that creates wealth and employment and what shall be waste rock that is condemned to lie buried fathoms deep for all the gold that it may contain. I have pleaded that while the present gold prices have in effect, created new gold mines in the country by making it possible to work many mines and ore deposits that had previously to be rejected or abandoned, each rise in the cost or production either by higher wages and added tax burdens or the diminution of labour output sterilizes the new opportunities, and turns gold bearing ore, by Gautama's curse, into stone.

LABOUR OUTPUT

Statistics of industrial production clearly show that during the last few years, while wages have risen threefold—due largely to inflationary causes—there has been a lamentable decline of

30 per cent. to 40 per cent. in labour output all over the country. Figures for the Kolar Gold Field show that while wages have gone up $3\frac{1}{2}$ times since 1939, the index of production has gone down by a third. Mr. J. R. D. Tata and Sir Biren Mookerjee are among the distinguished leaders of industry that have recently stressed the fact that no nation's prosperity and progress, no improvement in the country's standard of living, no amelioration and improvement of the conditions of the workers could be based on "more pay for less work." As our great Prime Minister warned only a few days ago, "Nations could only progress when the people fully realized that, by doing hard work, producing more and facing hardships, national wealth could be increased. No wishful thinking or slogans, or laws could take the place of hard work."

TRANSFER OF CONTROL

Under the new agreement entered into by the Company with the Government of Mysore dated February 20, 1949, the Company undertook to transfer the seat of control to Mysore and the Government on their part undertook to pass legislation repealing the Duty on Gold Act.

On our part, the transfer of control of the Company was duly effected on May 7, and the Mysore Government has now passed the Duty on Gold (Repealing) Act 1949. Under the terms of the Agreement, the next stage will be the incorporation of a Company in Mysore to acquire the Company's business and assets in India, and the preparation of a scheme to give effect to this undertaking is now receiving consideration.

WORKING RESULTS

Many of the adverse conditions created by the war and post-war difficulties continued to be experienced during the year, and the results attending the year's operations showed

a reduction of 18,797 tons of ore milled and 2,749 tons in the quantity of tailings treated, while the gold won from both sources was less by 1,989 ounces of fine gold in comparison with 1947.

Turning to the Accounts we find the net proceeds of sales of gold and silver after deduction of the amount paid for Duty on Gold, less the amount refunded and for Royalty, was £. 726,168-19-6; Grade Bonus £. 17,963-4-6 received in settlement of our claim in respect of the fire which occurred early in the year, and items for Rents, Interest, Transfer Fees and Sundry Receipts, the total at the credit of Revenue Account was £. 752,453-11-6. Expenditure during the year, including Additional Royalty due to the Government was £. 669,045-7-10, leaving a profit on Revenue Account of £. 83,408. With the addition to the last named figure of the dividend received from our Subsidiary Company and Interest on Securities, the total at the credit of the Profit & Loss Account was £. 89,384-5-11. Deducting therefrom the items set forth on the debt side of the Account leaves a balance of £. 22,466-19-5. That amount with the £. 19,132-4-8 brought forward from 1947 and the over-provision of £. 724-9-6 for taxation in the previous year, provides a disposable balance of £. 42,323-18-2. Of this amount the dividend of 9d. per share (7½ per cent.) free of Income-Tax was declared payable on September 14, which leaves £. 19,940-18-8, to be carried forward to 1949.

The working costs for 1948 have again risen appreciably, although the cost of the Special War Relief Bonus paid in 1947 was not repeated in 1948.

The amount expended on Capital Account exceeded that of the preceding year by some £. 12,000. The total expenditure was £. 53,500 of which Deep Level Lay-out took £. 13,370, new housing costs £. 3,341 and essential replacements of Machinery and Plant accounted for the remainder.

DEVELOPMENT

Development work carried in the main mine during the year was disappointing, but discoveries on the Western Reefs are of a more hopeful nature.

MANAGER'S REMARKS

Mr. Arthur H. E. Taylor, on behalf of Messrs. John Taylor & Sons (India) Ltd., Managers of the Company, spoke as follows:

A review of the operations at the mine during 1948 shows that there was a reduction in the tonnage milled, the gold produced and the amount of development work accomplished, compared with 1947, largely due to the fire in Kennedy's section at the end of January.

Except for incidents of a minor nature, including three organized hartals of one day each, labour troubles did not cause any serious interference with continued working during the year.

The development done during the year totalled 9,513 feet which was 1,600 feet less than the previous year.

Only a small amount of development was done in the bottom levels of the mine. At the 79th level Oriental Section, there is a length of 289 averaging 7.9 dwt. per ton over a width of 14 inches and another length of 50 feet averaging 8.4 dwt. over a width of 19 inches; in the latter, the lodes is disturbed by pegmatite intrusions. On the 78th level, 42 feet averaging 8.6 dwt. over 10 inches width have been developed and a further 139 feet averages 6.4 dwt. with a width of 15 inches.

In Kennedy's Section, the 50th intermediate level has been driven 234 feet on lode, 21 inches wide, assaying 20 dwt. The 3,050 feet level has been driven north 75 feet averaging 32 dwt. over a width of 30 inches. A rise put up on the fold has also obtained good values.

In Richard's Section, as the result of a discovery in diamond drill hole on the 1,240 feet

level, 54 feet of lode has been opened up averaging 18 dwt. over a width of 15 inches. An inclined rise from this drive has been put up 92 feet, averaging 32 dwt over 14 inches width.

In the Balghat Section, the 350 feet level has been driven 47 feet, averaging 19 dwt. over 22 inches width, and the 285 feet level has exposed a length of 240 feet, averaging 30 dwt. over a width of 28 inches.

Some further progress was made with the third stage lay out and both the 1A and 2A shafts were sunk below the 76th level plat. Erection of the new sinder for the 1A shaft was completed.

Diamond drilling on the 700, 865 and 1,250 feet levels has indicated possible southerly extensions of the cross reef and west lodes which will be explored in due course.

At the Annual General Meeting held in London last year, I referred to the interesting developments on the western lodes at the 3,200 feet level. For a distance of 696 feet, which has been opened up, there is a length of 300 feet on lode, 41 inches wide assay value 4.4 dwt. per ton, while the remainder of the lode is of low value. Some preliminary stoping is being done and a winze has been commenced to further test the widths and values on this lode. A crosscut at the 3,800 feet level has been put out to test the downward extensions of this lode, but only poor results have been obtained.

FURTHER EXPLORATION

During the current year, further exploration of the western reefs has been carried out, to the north of the intersections referred to above, by two crosscuts west from the 48th level main haulage at 1,800 feet and 3,600 feet north of Henry's shaft. During the early part of this year, the southerly crosscut intersected at 1,391 feet 24 inches of lode, assaying 3 dwt. and in July, the other crosscut at 1,678 feet intersected 168 inches of lode, including 90 inches, assaying 2 oz. 6 dwt.

The intersection at the southerly crosscut N. 18 has been driven 180 feet northwards up to the end of August, and the lode averaged 54 inches in width, assay value 3.71 dwt. The south drive has been developed 150 feet showing a strong pyritic lode, 66 inches wide of assay value 2.82 dwt. A winze at 50 feet in the south drive has been sunk 14 feet on lode, 83 inches wide, assay value 8 dwt.

At the northerly crosscut, N. 36 the reef has been developed for 176 feet of which 118 feet averaged 87 inches, assay value 1 oz. 4.73 dwt. and 63 feet averaged 40 inches in width, assay 2.06 dwt.

These intersections appeared to have cut a lode further west than and parallel with that being opened up at the 3,200 feet level. The results so far obtained from development from a new discovery, which has considerable potentialities being as they are, in an area which has been hitherto undeveloped.

At the end of the year, the payable ore reserves were estimated at 240,720 tons of an average grade of 10.33 dwt. a decrease of 14,500 tons and 0.3 dwt as compared with the figures for 1947. In addition, there is a probable reserve of low grade ore estimated at 176,608 tons.

This shows a still further reduction in the payable reserves due to the small amount of ore added by development and it is necessary to draw attention to the very serious position which now exists.

ORE RESERVES

The continuous decline in the ore reserves makes it more and more difficult to maintain the gold production without reducing the reserves to an extent which would prejudice the whole future development. Immediate operations, therefore, must be based on an endeavour to conserve the existing ore reserves as much as possible while maintaining a sufficient return to meet expenses and provide funds for development. Due to the effects of the Gold Duty,

of which you must all be aware, and to the enormously increased cost of wages, dearness allowance, etc., paid to labour, to provide sufficient funds for development presents a most difficult problem. Some assistance should be obtained as a result of the Repeal of the Gold Duty, but some time must elapse before sufficient ore can be opened up to improve the present position. This, however, can only be done by reducing costs to the utmost and preserving the ore reserves until funds become adequate.

Further increases in costs due to the increased expenditure on payment to labour and materials have taken place during the year under review.

RETROGRADE STEP

Due to lack of finance, we have already had to exercise economy by curtailing development in depth, in shaft sinking and by suspension of the Diamond drilling programme which, it was intended, would assist in the search for ore. This is a retrograde step and it must be obvious to those who understand the position that it is not in the interests of labour, whose future employment is dependent upon the continuation of profitable mining operations in this great Mine, that pressure should be brought to bear upon the Management to increase costs any further by increased wages or bonuses other than those for increased production or work done. Only by exercising the utmost care in expenditure and by utilizing the existing resources for the benefit of the Mine will it be possible to open up the valuable indications on the west lodes which are now before us.

INDIA'S ECONOMY

The *Economist* of London has in its 18th August issue given an intelligent appraisal of India's economy since partition.

The author is of the opinion that in the political and international fields, India has worked almost a miracle but regrets that the same success and achievement does not stand to her credit in

the economic sphere. Pointed references are drawn to the food and cloth deficiency, the high prices and the decline in industrial and agricultural output and above all, the cold storing of many brilliant schemes, due to want of adequate finances.

The chief causes of this economic insufficiency are the heavy defence expenditure, the increase of food imports and consequent rising payments deficit, the inflation and high costs of production which hinder exports, the economic impediments arising out of the partition and India's failure to save and invest.

The author examines India's economy under four headings—the budget, the balance of payments, costs and capital investment. The budget deficit (revenue and capital combined) amounts to Rs. 130 crores but one must understand that this deficit is bound to occur if defence expenditure alone constituted 47 per cent. of the Centre's total expenditure.

India's balance of payments has taken an adverse turn chiefly because of her food deficit. Though official sources estimate it at four million tons the actual deficit is perhaps even greater but even assuming it to be four millions, it would require an increase of 10 per cent. rise in food production for the imports to be eschewed. But the response to all appeals for higher production is not at all heartening and unless the drive for food production is put on a war-footing and more stringent measures are adopted in the direct procurement of grain and stamping out of blackmarketeering and hoarding, the situation is likely to deteriorate further. The author has pointed out that a cut in food imports is not possible, so long as food prices account for 60 per cent. of the cost of living index, since any drop in imports would push prices up and so wages at once.

The author considers inflation to be the chief stumbling block in the matter of exports and high industrial costs have aggravated the problem by raising India's goods above competition

level. But it is doubtful whether high costs are due merely to "wage awards, which have taken little account of industry's capacity to pay or," Government controls 'administered by inexperienced officials'* and inadequate means of transport, and Partition. All these have no doubt helped in the process of inflation but other factors, such as high profits and inadequate production, are also greatly responsible for the present economic situation.

Jute serves as a typical example to indicate the economic position of India. India's supply of raw jute has to be largely imported at high cost, due to Partition. When finally the goods are shipped abroad, it is only to discover that many consumers are resorting to substitutes. It is, therefore, obvious that nothing but a radical lowering of prices can effect some change.

India's savings and investments are at a very low ebb. Private capital and enterprise are conspicuous by their absence on any appreciable scale. Insurance is not prospering and much of the people's savings are going underground though certainly not due 'to the threat of nationalization' or 'high taxation and the methods of tax-gatherer.'*

Three remedies are suggested for dealing with this economic disequilibrium: (1) coming to terms with Pakistan, (2) increase of food production, and (3) procuring more foreign capital. Food production can be helped by more honest administration in the lower civil service, by the increased cultivation of new types of crops like sweet potatoes, better methods of grain procurement and by providing better incentives for farm production.

We do need more foreign capital and we can try to persuade America to lend her help and technical experience to us during the few years to come.

The inter-dominion relations are, however, not under the entire control of India to expect

her to settle the issue finally. as suggested by 'the Economist.' One sided good-will alone cannot work the miracle of achieving peace and concord and the increasing interest that the foreign powers are evincing regarding the Kashmir issue, is sufficient to make us realize that India's desire for good-will unless backed firmly by a determination not to yield on fundamental principles is likely to be converted into a policy of gradual appeasement. Cessation of hostilities will without the least doubt be helpful to both the Dominions and every honest citizen of both the Dominions also desires it; but for the sake of temporary respite or economic gain, no self-respecting nation can sacrifice its principles.

MISS JAYA MURYALA

NATIONALISED INDUSTRIES

SELECT COMMITTEE TO SECURE PARLIAMENTARY CONTROL

It is known to be the intention of the Government to provide time in the autumn for the House of Commons to discuss the policy and administration of the boards responsible for certain of the nationalised industries. This new form of inquiry by Parliament leads into unexplored fields and it is of the utmost importance that Parliamentary procedure shall be so used, adapted or amended as to enable Parliament and people to obtain a clever view of how the basic industries, such as coal, electricity, gas, and transport which they have recently bought, are now being managed.

For better or for worse, various industries are nationalised and the Conservative party has officially stated that it will never seek to return some of them to private ownership. It is, therefore, important that their administration should be scrutinised in Parliament solely with a view to obtaining the best results from the nation's investments, and that they should not become involved in party controversy. Indeed, it clearly would not suit either party

* *The Economist*, 13th Aug. 1949.

to be obliged to accept responsibility for the administration of the boards, simply because it was at the moment in office. To do so would also make the life of the boards too carefree, for they would be assured of the unfailing support of the Government of the day, and therefore of its majority in the House of Commons.

THE PRICE SYSTEM

It is perhaps worth while, first, to consider what changes in theory and practice have taken place and what kind of supervision, therefore, is now necessary for Parliament to exercise. So long as coal mines, for example, were in private hands, the price system and competition were deemed to provide the automatic control needed. If a colliery company produced coal it was making a profit or it expected to do so. The wish to pay dividends tended to keep down costs, whether labour costs or overheads, the smallness of the unit tended to establish a relation between efficiency and the financial outcome, and competition tended to bring all units of production up to the standard of the best. These factors may not have produced satisfactory results, but at any rate they worked after a fashion.

Nationalization has integrated industries like coal into a single unit. Internally, though not, of course, in international markets, competition between units of production has been abolished and, in fact, the efficient producers may be required to carry the inefficient ones. All accounts are merged in those of the nationwide industry; and as there are no shareholders to complain that high costs of low receipts have resulted in profits being too low, careful analysis is needed to ascertain what the financial position of any coalfield or colliery really is.

When the old "automatic" and local controls, based upon the price system and competition, have been swept away by nationalization, it is important that scrutiny, both general and detailed, should replace them. To take again the coal industry as an example it will be neces-

sary to assess its place in the economy of the nation. Is its labour cost in line with that of other industries or has the political and economic power of those particular workers obtained for them wages, welfare schemes, industrial injuries payments, etc., which take a disproportionate share of the national income? Should its export policy be competitive—thus providing the only impartial check on efficiency for the benefit of home as well as foreign consumers—or should markets be divided with foreign competitors? These are broad and crucial issues of policy and from them it must also be possible for Parliament to come down to small matters of detailed administration, for inefficiency at the periphery is the chief defect of over-centralization and can become a fatal disease.

DEBATE AFTER SCRUTINY

The proposals of this article are that every two or three years there should be a long and full debate in the House of Commons upon each nationalised industry; that this should be kept outside the party dogfight; and that the salient issues must first have been elucidated by an investigation by a Select Committee equipped with an adequate staff.

The control which the House of Commons obtained over the Executive Government was established by means of the right to refuse supply or to demand explanation before the money was voted. The House constitutes itself into two great committees of Ways and Means, for raising money and Supply for spending it. The 26 days devoted in each session to the Committee of Supply are among the most useful that parliament spends, for they enable the Opposition to discuss all matters of policy and administration and the ministers concerned to offer explanation and defence. It has, however, long been clear that no detailed criticism of expenditure or of administration can usefully take place in so large a committee and without machinery for investigation and inquiry.

It was the need for much closer scrutiny that led to the setting up of the Committee on Estimates, to consider "what, if any, economies consistent with the policy implied in those Estimates should be effected therein." This is now a committee of some 37 members, which sits in six sub-committees, selects each year certain estimates for scrutiny, and requires officials of the appropriate departments to explain and justify the expenditure. In suitable cases it inspects the work being done and has even visited colonies in Africa.

During the two wars estimates were not issued, and consequently the Estimates Committee was replaced by a Committee on National Expenditure. During the last war this committee, which took a broader view of its powers than the pre-war Estimates Committee, considered many branches of the administration and reported on such wide topics as payment by piece rates of munition workers and British tank design. Although some ministers complained that it presumed to deal with matters of policy, the House of Commons as a whole was of the opinion that it did valuable work in exposing blunders, inefficiency, and waste. Because it had no detailed estimates to consider it affords the closest precedent for the proposed Select Committee on nationalized industries.

It would be a mistake for the Estimates Committee to undertake this work of investigating the nationalized industries. It already has enough work to do, and, moreover, it would almost inevitably apply the methods used in the case of Government departments to the boards, thereby destroying the flexibility of the broad method of administration. Both the Public Accounts and Estimates committees should, in fact, keep clear of the nationalized industries.

Another important effect of a Select Committee should be to elucidate the principal issues and direct attention to them. It is a familiar defect of House of Commons debates on wide topics that the speeches deal with diverse matters,

and there is often no thread of continuity nor even a meeting of minds. One speaker may discuss export difficulties, the next may expatiate upon some new safety device in the industry which he thinks should be compulsory, the next may ask about the industry's long-term development programme, the next may criticize disparities between wage rates. A general discussion of a nationalized industry could easily degenerate into one of these rambling and discursive debates, with many speeches delivered primarily for constituency consumption.

Usually the House is at its best in debating a Bill or other document which specifies a limited number of issues upon which Parliament has to pronounce. The simplest way to obtain the same precision would be to base Select Committee's report. Parliament has learnt by experience that in order to supervise administration and expenditure it is necessary to appoint a small committee with power to send for persons and papers—a procedure which would enable the whole matter to be investigated by calling witnesses and cross-examining them.

It is likely that the report of the Select Committee will usually be somewhat critical of the administration of the board and of the explanations it will have provided in its annual reports. There is a danger that the Opposition will seize upon the Select Committee's report as ammunition to attack the board and that the Government of the day will be betrayed into the position of automatically defending the board, right or wrong—as recently happened when the Parliamentary Secretary to the Ministry of Transport was put up in Parliament to defend against general criticism on the Railway Executive for introducing buffet-cars embellished and adorned in mock-Tudor style.

SUPPLY DAYS

This is the main reason why the debate on a nationalized industry should not take place on one of the 26 Supply days. It is the privilege of the Opposition to put down any vote and

naturally it usually chooses those on which it can most effectively criticize the Government. If there was a change of Government the errors of a board would be liable to recoil upon the new Opposition, in which case there would probably be no debate on the issue however great the need to expose blunders and abuses.

Subsidiary reasons against taking a Supply Day are, first, that it would be wrong to reduce still further the opportunities for discussing the administration of Government departments, and secondly, that a rule of procedure would exclude any proposal requiring new legislation. This objection applies equally to a debate on the adjournment. It would probably be best, therefore, for the debates to be on some substantive motion which would enable the real issues to be discussed.

It is a curious fact about House of Commons procedure that no such motion at present exists, but an improvement on the adjournment motion could and should be devised.

The relation between a board and the sponsoring Minister is defined in the Coal Industry Nationalization Act, 1946, section 8, thus:—

“The Minister may, after consultation with the Board, give to the Board directions of a general character as to the exercise and performance by the Board of their functions in relation to matters appearing to the Minister to affect the national interest, and the Board shall give effect to any such directions.”

This has now become almost common form. It is intended to bring the general policy of the boards under the Government's control, while leaving them free from political interference in their day-to-day administration. It is upon this principle that Ministers decline to answer Parliamentary questions relating to details of administration in the nationalized industries.

The rule of procedure which makes this principle effective is stated in Erskine May as follows:—

“Questions addressed to Ministers should relate to the public affairs with which they are officially connected.....or to matters of administration for which they are responsible The following types of questions may be enumerated as being out of order, *viz.*, (22) raising matters under the control of bodies or persons not responsible to the Government.

A NEW PROBLEM

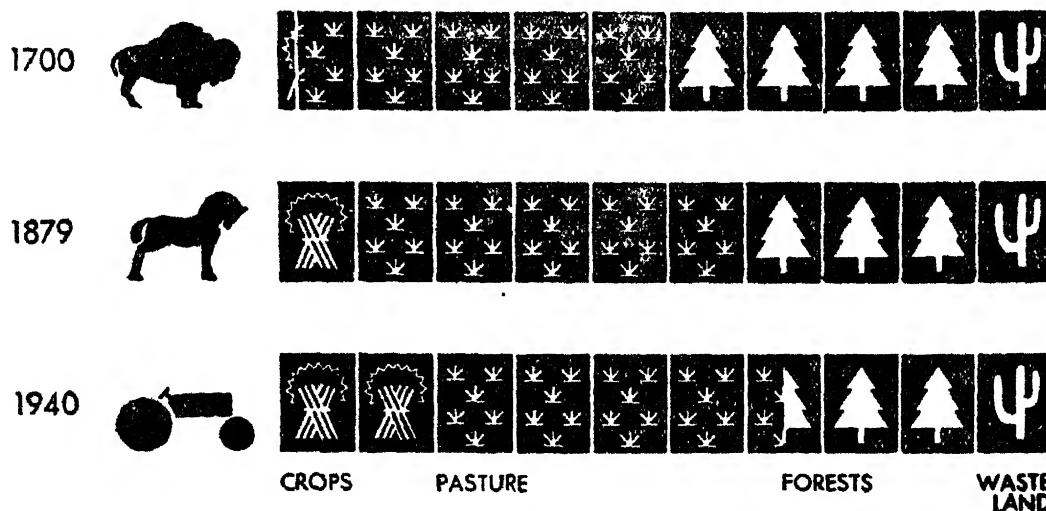
It can hardly be doubted that this exclusion of parliamentary questions is wise. It applied before the epoch of nationalization to such bodies as the British Broadcasting Corporation, the Central Electricity Board, and the various Agricultural Marketing Boards. The immediate effect of changing the rule would be to centralize all authority in the Minister. If he were made answerable for everything, he would have to control everything. It may be inevitable in the case of the Army that the Secretary of State should answer in the House for details of administration in the smallest and remotest unit, but it results in red-tape, rigidity and centralization; and in fact no industry could be successfully run on such lines.

Parliament is, therefore, faced with a new problem; how to control the strategy of nationalized industries and apply a periodical efficiency audit without going as far as that detailed interference which would cause a paralysing centralization. The past experience of the House of Commons suggests the machinery and the spirit through which this result can be obtained. A select Committee, served by an appropriate staff, must inquire by sending for persons and papers into the industry, and its report should focus attention upon the most important issues. In the light of this report it should be possible for the House of Commons to discuss with knowledge and relevance at reasonable intervals the state of each nationalized industry and its proper relation to the national economy as a whole.

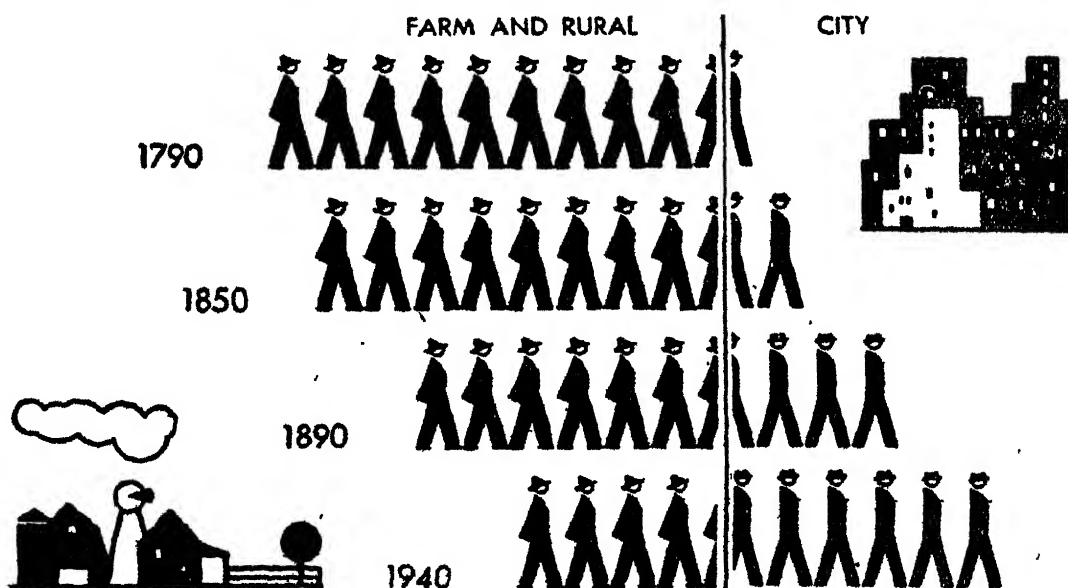
By HUGH MOLSON, M.P.

A GRAPHIC STORY OF THE AMERICAN NATION ON THE MARCH

LAND USE IN THE UNITED STATES



AMERICA BECOMES A COUNTRY OF CITY DWELLERS

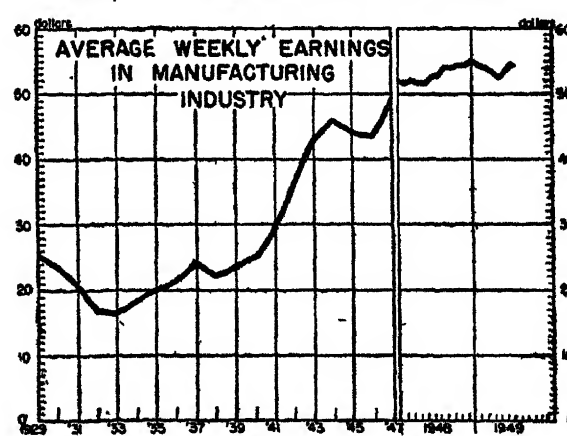
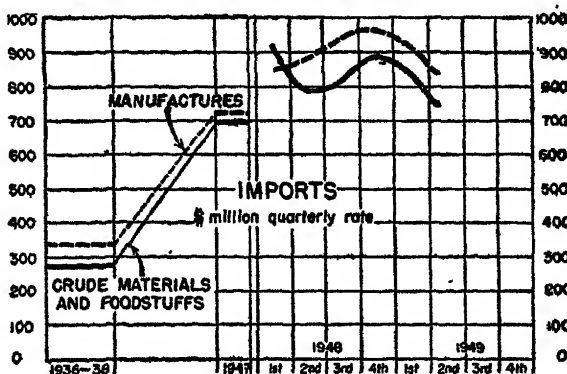
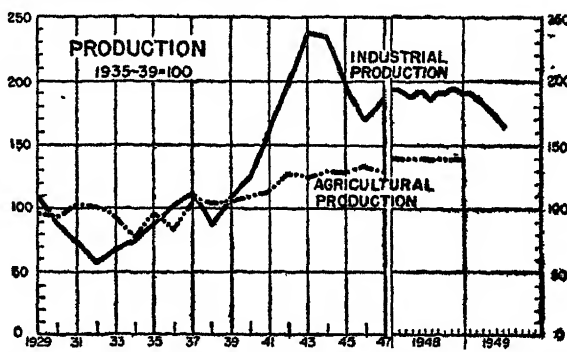
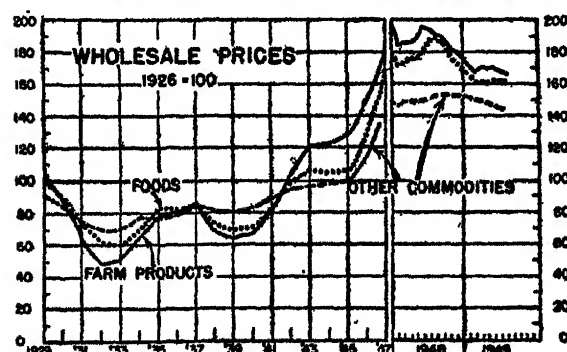
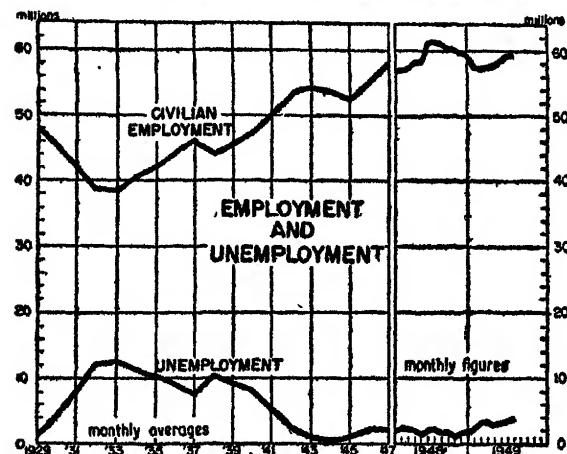
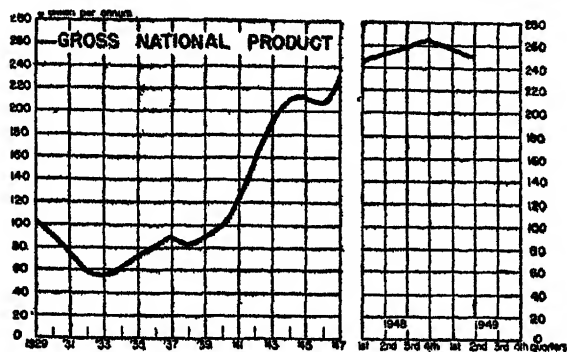


Charts from "U. S. A., Measure of a Nation."

Some Labour spokesmen have recently blamed "the chronic instability of American capitalism" for Britain's dollar difficulties. In the charts below, six basic factors in America's economic condition are compared, over a period

of twenty years. "Chronic instability" would presumably imply a sweeping descent in output, employment, prices, wages, and the demand for imports. The charts show nothing of the kind. Some recession was obviously to be

PROFILE OF AMERICAN RECESSION



From The Economist, Sep. 10, 1949.

expected after the war and post-war booms had spent their main force. But it is astonishing how relatively slight, and how markedly restrained, the adjustments have been. The American gross national product in the second quarter of

this year was running only 5 per cent. below the all-time peak recorded in the closing months of 1948. Industrial production showed a further fall in July, but output is 62 per cent. higher than for the five years 1935-39. Un-

employment, too, has been rising gently, but so has total employment; Mr. Henry Wallace's "Sixty Million Jobs" are still a reality. The trend of imports, particularly of crude materials and foodstuffs, of which a significant part comes from the sterling area, has certainly been more disconcerting. But even in the second quarter of this year such imports were still running at practically three times the pre-war rate. Prices of food and farm products have been falling

somewhat more rapidly than "other commodities;" thus the real value of weekly earnings in industry—now rather above \$. 53½ a week—has been enhanced. Such are the facts. It is impossible to hold that they illustrate anything more than a healthy pause for breath after a period of rapid expansion—a pause from which the United States economy is perhaps already deriving benefit.

Finance and Resource

HYDERABAD BUDGET

FINANCIAL POSITION SAFE STAMP DUTY TO BE RAISED

PRESENTING the budget estimates for 1359 Fasli year, commencing on October 1, 1949, at a Press Conference, Hon. Mr. C.V.S. Rao, Finance Member of the Hyderabad Government, observed that "on the whole, the financial position of the State is generally sound. The public debt of the State was well-covered by productive capital assets and other reserves."

The Finance Member pointed out that the revenues should be utilised to the maximum advantage of the State. "Sources of present taxation may not all be the best and some may indeed be a hindrance to trade and commerce," he added, possibly referring to customs revenue. "This matter is receiving the attention of the Government."

The budget of the Hyderabad Government has been framed for a period of six months only, ending with March 31, 1950, in view of the decision of the Government to fall in line with the Indian Financial year, which begins on April 1. But for a proper understanding of the figures and for facility of comparison with the previous years, the budget estimates have been shown on the basis of a full year.

The revenue during 1359 fasli is estimated at Rs. 3,245.95 lakhs the highest on record in the State and the expenditure at Rs. 3,262.22 lakhs, showing a deficit of Rs. 16.27 lakhs. For the first six months, however, the revenue and expenditure would be Rs. 1,646.84 lakhs and Rs. 1,645.21 lakhs respectively, resulting in a surplus of Rs. 1.63 lakhs. (All figures in the budget are in halli sicca currency).

The only new taxation proposed in the new budget is in respect of stamp duty (non-judicial), which is being raised to the level obtaining in Madras. This will give Rs. 15 lakhs. The increase in postal rates (cards and covers) by

two pies, announced recently, is expected to yield another 6 lakhs.

The increase in revenue receipts for 1359 Fasli to Rs. 3,245.95 lakhs is partly due to the integration of the Sarf-i-Khas and Jagir areas with Diwani and partly to the phenomenal increase in excise revenue. The main items of improvement are land revenue (100 lakhs), excise (315 lakhs), Railways (60 lakhs), Stamps (15.11 lakhs), Match Excise (27.69 lakhs) and Income-tax (25 lakhs). This is, however, counter-balanced by a reduction under Customs (minus 70 lakhs) and Supply and Control (minus 47 lakhs). The reduction under customs is not altogether unexpected as the figure for 1358 Fasli is a bloated one, including a carry-over of the import trade of 20 crores for the latter half of 1357 fasli. The increase under excise is mainly due to the high prices realised at auctions and to the increase of tree tax by 50 per cent.

INCREASE IN EXPENDITURE

On the expenditure side there has been an increase of about Rs. 5 crores over last year's figures. The increase is under the following heads: Debt Redemption Rs. 128.64 lakhs; General Administration Rs. 15.13 lakhs; Education Rs. 53.96 lakhs; Agriculture Rs. 65.25 lakhs; Municipalities and Public Improvements Rs. 16.98 lakhs; Irrigation Rs. 27.76 lakhs; Dearness Allowance Rs. 40 lakhs and Miscellaneous Rs. 155.84 lakhs, of which Rs. 120 lakhs goes towards payments to Jagirdars.

As against these increases, military expenditure has been cut down by about Rs. 85 lakhs. The expenditure on nation-building activities alone totals Rs. 1,023 lakhs. This figure includes a provision of Rs. 348 lakhs for education and Rs. 111.5 lakhs for medical and public health.

The new budget may in a sense be regarded as agricultural budget, the food situation overshadowing the entire estimates. A sum of Rs. 145 lakhs has been provided to cover subsidies in

prices of foodgrains, supplies of seeds and manures at concessional rates, cost of procuring and distributing agencies and the cost of certain minor public works such as improvement of tanks, while a sum of Rs. 172.77 lakhs has been provided as temporary advances to the Agriculture Department for the purchase of seed, etc., for distribution to cultivators. A sum of about Rs. 10½ crores is locked up in stocks of foodgrains stored or to be purchased by the Hyderabad Co-operative Commercial Corporation. Special taccavi loans to cultivators for sinking wells and for purchase of manure, etc., have been or are being sanctioned amounting to Rs. 102.00 lakhs. Apart from long-term irrigation and other projects, the department has an ambitious 3-year programme to achieve a target of additional production of about 138,000 tons of foodgrains by 1951-52.

The Finance Member in his note on the budget has warned the different Government departments on the need for economy. "While receipts during the past five years have increased by 122 per cent.," he said, the budget envisages the appointment of an economy committee to go into the matter in detail.

A provision of Rs. 815 lakhs has been made for capital expenditure out of which Rs. 224 lakhs will be spent on irrigation projects, Rs. 124 lakhs on the Godavari Valley Development Scheme, Rs. 41 lakhs on Aerodrome works, Rs. 66 lakhs on the Nizamsagar Hydro-electric scheme, about Rs. 77 lakhs on roads and buildings, Rs. 20 lakhs on electrifying towns and cities, Rs. 40 lakhs for the purchase of plant and machinery to expand the telephone system in Hyderabad and Secunderabad, and Rs. 30 lakhs on Local Government and City Improvement Board Works. More than Rs. 92½ lakhs, will be spent on railway construction on the Mudkhéd-Adilabad line.

The State has invested a sum of Rs. 11½ crores in a number of industrial concerns, including Singareni Collieries and the Sirsilk factory. For the management of these and certain other concerns, the Government have temporarily

created an organisation, under the Industrial Trust Fund and have appointed two experienced men as operational directors.

The public debt outstanding at the end of 1358 F. was Rs. 5,884.81 lakhs. The different reserves have a total balance of Rs. 5,278 lakhs. The assets and liabilities at the end of 1358 Fasli were Rs. 12,815.94 and Rs. 7,599.45 lakhs, respectively.

The Finance Member in the budget note points out that with the restoration of law and order, receipts have exceeded original expectations and notwithstanding any increase in expenditure, there is no longer any fear of the year closing with a big deficit as was estimated. The preparation of estimates for the new year is also surrounded with difficulties and uncertainties. In the economic field the problem of prices and mounting cost of production continues to be a disturbing factor while the recent devaluation of sterling and rupee has introduced yet another complication. There is also the question of federal financial integration which is closely linked up with the settlement of the political problem. The budget has thus been prepared on the basis of *status quo*.

The budget note further discloses that the increase of Rs. 15.13 lakhs under general administration is largely due to the provision made for estimated expenditure on elections to the State Constituent Assembly. The fall of Rs. 84.93 lakhs in the Army expenditure is the result of the progressive demobilisation of the army. It is hoped that the expenditure will be stabilised at Rs. 200 lakhs. A special provision of Rs. 15 lakhs has been made for the expansion of education in Jagir areas. A recurring grant of Rs. 8 lakhs is provided for increased expenditure on grants-in-aid to private schools and requirements of general and technical education.

INDUSTRIAL CONCERNS IN STATE

On the working of industrial and commercial concerns in the State, the Finance Member has made the following observations in his budget note: "The State has invested a total sum

of Rs. 11½ crores in a number of industrial concerns. In view of the large financial stake that the Government has in those concerns and in the interests of proper development of industry in the State, arrangements have been made to investigate into working of those concerns. The services of technical experts from the Government of India were requisitioned in some cases while financial and efficiency investigations were also organised. The finances of 22 concerns have been examined and the technical examination of eight industries have been completed. The results of these investigations have been of great assistance in determining the financial and other help to be extended to them. For a variety of reasons some of the concerns have been steadily losing but it is hoped that with a certain amount of help and guidance they will ultimately play their role properly in the economy of the country. Some of the major industries in the State in which the Government had already invested large sums required further considerable capital to meet the expansion programme, which had been previously envisaged. In view of the difficulty of raising additional share capital and with a view to ensuring a satisfactory and quick completion of the expansion schemes so essential for the country, Government has agreed to finance them and has taken over their management. The principal concerns are (1) The Singareni Collieries, which annually produce a million tons of coal. It is proposed to introduce machine drilling and gradually increase production to one and half million tons. (2) The Sirpur Paper Mills are being expanded at a cost of over a crore to produce newsprint which has not so far been done in India. (3) The Sirsilk Factory which is under construction is the first State rayon factory to be established in India. The completion of the scheme will cost another four crores of rupees.

PRIVY PURSE OF NIZAM

Replying to questions, the Finance Member, after announcing the budget, pointed out that Nizam was given an annual privy purse of Rs. 100

lakhs, in addition to the annual compensation of Rs. 25 lakhs for having taken over his personal estate. An allotment of another twenty lakhs of rupees per year had been made for his sons and dependents. The question of abolition of halli sicca currency, as also the question of abolition of customs was engaging the attention of the Government. It was not possible to state whether any decision would be made on these subjects before April 1, 1950.

Referring to the allotment of Rs. 40 lakhs for the civil teams of officers from the Indian Union, Mr. Rao observed that such allotment was inevitable for the maintenance of law and order and the officers would not continue in Hyderabad for ever. Silver worth Rs. six crores from Hyderabad has been sold in the open market through the Reserve Bank of India. Gold had also been disposed of. The Government had to sell silver and gold to augment their liquid resources. The extraction of gold from the Hutti mines was still in the pilot state, and 1,800 ozs. of gold had been extracted so far. The gold was reported to be of good quality. The Hyderabad Government held eighty per cent. of the shares in this concern.

No alarming flight of capital to Pakistan from the major industrial concerns had been reported. However, there was a flight of capital worth Rs. 2.5 crores to Pakistan through banks and other sources.

Replying to another question, the Finance Member observed that the integration of the Nizam State Railway with the Indian Railways was dependent on the financial integration of Hyderabad with India.

The Finance Member pointed out that the opening cash balance for 1958 F. was Rs. 1,002.78 lakhs, including 228.6 lakhs held in London. With reference to this money the Government of India had taken legal steps. The amount was not with Nawab Moin Nawaz Jung, former Finance Minister, but was deposited in a London Bank. The bankers were hesitant to hand

over the money to the Hyderabad Government and, therefore, legal action had been taken

A sum of Rs. 14 lakhs was spent on commutation of full pensions of the Hyderabad army officers. The Government had appointed a Stores Purchase Officer, assisted by a committee of departmental heads, the Finance Member concluded.

BUDGET FOR SIX MONTHS

In fitness of things the budget ought to be for the period ending March 1950, for whatever Hyderabad does hereafter must be in conformity with the all-India plan and so the calendar should correspond to that followed in India. Further, before the end of March, the Constituent Assembly will have come into existence and a new Cabinet will be in the saddle and that body representing and responsible to the public should prepare the budget.

Again, there is what is called integration followed by disintegration. What these evolutions will mean no one can foresee. The next six months have many surprises in store and therefore the Government of Hyderabad has thought it expedient to draw up the budget for six months only.

A noteworthy point is that the budget this time is comprehensive in the sense that it embraces the whole of the State. All the jagirs and Sarf-e-Khas areas have been integrated and the revenue and expenditure have been estimated on all-Hyderabad basis.

The Hon'ble Mr. C. V. S. Rao, Finance Member, who has had considerable experience of India's, and Burma's finances, and hailing, as he does, from a State whose people, like the Scots, are known for their thrift and frugality, appears to have drawn inspiration from Mr. Micawber of David Copperfield with whose advice he has prefaced his budget note. During the short time he has been in Hyderabad he has grasped the financial position of the State and appreciated the problems which confront Government. They are prices, mounting cost of production, devaluation of sterling and the

rupee, federal financial integration, etc. He has also taken into consideration the problem of food and the demands of the nation-building departments for orderly development. But the Hon'ble Member does not throw any light on the subject of the arrears of Berar rent for the last two years amounting to a little over 58 lakhs. What is the argument of the India Government for withholding payment? If that is not to be recovered, what is the guarantee that the rent for the new year will be available? The Finance Member has excluded the old arrears from the assets but included the new year's dues in the account. It is hoped that the Government of Hyderabad will prevail upon India to pay up the arrears which are a legitimate source of revenue to the State. If the arrears could be got, there would be no deficit says the Member, but a surplus. But what are the chances of recovering 228 lakhs held in London? Hyderabad has not had a deficit except in recent years as a result of extravagance and reckless expenditure and so any efforts to help the State to be not only solvent but prosperous will be greatly appreciated. Mr. Rao may not be in Hyderabad to prepare the next budget, but he has enunciated certain principles which his successor of the popular Government will do well to follow.

Although Mr. Rao has endeavoured to be economical and maintains the reserves, such as post-war development, securities adjustment, Sicca stabilisation, famine, debt redemption, industrial trust fund and deposits, he could not resist the temptation of transferring sums from these reserves to augment total receipts. The former Finance Ministers, too, did so. Reserves are to be tapped only for emergency purposes. Normally, the State should so order its expenditure as to be within reasonable limits of receipts. That would have been the real source of happiness as indicated by Mr. Micawber of Copperfield. Without approaching sums from the reserves, the budget for the new year would have shown a deficit of over a crore for the whole year.

The only additional taxation proposed is stamp duty (non-judicial) which is to be enhanced to the Madras level. Postal rates in respect of cards and covers have already been increased. It would have been reasonable if the postal rates also were raised to the Indian level since Indian post offices are working in the big towns of Hyderabad State which will be adversely affected by a cheaper service. However, the burden on the public is negligible.

The service expenditure is mounting up. For the full year it is expected to be Rs. 32,62 lakhs or an increase of 5 crores on the previous year. A large debt redemption liability, expenditure on Election and Constituent Assembly and additional dearness allowance to lower grade State employees are some of the main items of expenditure. But for the nation-building departments very liberal provisions appear to have been made. It is customary for such departments as Education, Medical, Agriculture and Public Works to ask for more than they could spend during the year. By the time their proposals for expansions are sanctioned, the year comes to an end and budgetted amounts lapse. And when grants are actually

set apart the spending departments are prone to ask for this and that for unproductive purposes.

Agriculture has received priority in the new budget and the Finance Member calls the budget as an agricultural budget. What the public would want to have is a scientific study by an economic expert of the moneys spent during the last thirty years on agriculture and the net result. During the last ten years the service expenditure has increased a thousand-fold and that under irrigation by 528 per cent. What is the advantage derived from them? The public would also like to have a careful study of the expenditure under Education, another nation-building enterprise, to see whether they are having returns for the money spent. These questions are relevant in view of the Finance Member's general observation, "while receipts during the past five years have increased by 65 per cent. the expenditure has increased by 122 per cent." The Finance Member realises the necessity of instituting a systematic review of our spending and of setting up an economy committee to go into the matter in detail.

THE NEW ERA—Oct. 31st, 1948.

HYDERABAD BUDGET FOR 1359 F. (1949-50)

AT A GLANCE
(Figures in Lakhs of Rupees O.S.)

HEADS	ACTUALS				Budget Estimate 1357 F.	Revised Estimate 1358 F.	BUDGET ESTIMATE 1359 F.	
	1354 F.	1355 F.	1356 F.	1356 F.			1358 F. Full year	First six months
1	2	3	4	5	6	7	8	9
Revenue Receipts .	.. 1828.18	2027.58	2007.08	2087.76	2379.19	2693.63	3144.05	1595.89
Transfers From Reserves	.. 85.73	80.23	68.32	62.34	72.44	72.62	101.90	50.95
Total Receipts ..	.. 1913.91	2107.76	2075.40	2100.10	2451.63	2766.25	3245.5	1646.84
Total Service Expenditure	.. 1433.26	1663.88	2017.47	3472.41	2601.95	2737.45	3262.22	1645.21
Revenue Surplus (plus) or Deficit (—) ..	.. 480.65	443.88	57.93	—1372.31	—150.32	28.80	—16.27	1.33
Capital Expenditure ..	.. 41.03	159.13	299.62	653.92	682.16	650.77	815.00	407.61

PROGRESS OF SERVICE EXPENDITURE ON NATION-BUILDING ACTIVITIES
(1348 & 1359 F.).

HEADS	1348 FASLI		1358 FASLI		Percentage increase over the Actuals for 1348 F.
	Expend- iture	Percentage to Total Revenue	Expend- iture	Percentage to Total Revenues	
1. Education	93.95	10.27	348.16	10.73	270.58
2. Medical and Public Health ..	30.88	3.37	118.57	3.65	283.96
3. Agriculture	7.67	.83	88.25	2.72	1050.59
4. Veterinary	5.28	.57	14.82	.46	180.70
5. Co-operative	4.67	.51	15.74	.48	237.04
6. Municipalities and Public Improve- ments	28.05	3.66	76.98	2.37	174.43
7. Buildings and Communications ..	77.37	8.45	153.25	4.72	98.07
8. Irrigation	14.64	1.60	91.96	2.83	528.14
9. Industries	3.92	.42	19.81	.61	405.38
10. Famine	14.44	1.57	95.31	2.93	560.04
Total ..	280.87	31.25	1022.85	31.50	364.17

**STATEMENT SHOWING THE ESTIMATED OPENING BALANCES AT THE CREDIT
OF THE RESERVES FOR 1359 F.**

NAME OF THE RESERVES					BALANCE
1. Post-War Development Reserve .	..	..	...	..	3376.79
2. Securities Adjustment Reserve ..	..	..	..	..	218.77
3. Osmania Sicca Stabilization Reserve	..	..	..	..	300.00
4. Famine Reserve .. ..	..	..	..	..	182.94
5. Debt Redemption Reserve ..	..	..	..	..	671.37
6. Industrial Trust Fund ..	..	..	..	..	518.61
7. Deposits Reserve .. ..	..	..	..	..	6.66
Total ..					5278.11

**SPECIAL GRANTS FOR NATION-BUILDING ACTIVITIES INCLUDED IN THE
REVENUE AND CAPITAL BUDGET ESTIMATES FOR 1359 FASLI.**

Department	Items	Amounts
Education	.. (1) Grant-in-aid to Aided Schools and expansion of General and Technical Education	27.00
	(2) Depressed Classes' Education	5.50
	(3) Addition to the Block Grant for Osmania University and non-recurring grant	18.00
Medical and Public Health	.. (4) Opening of new hospitals and dispensaries, and expansion of Public Health activities	10.50
	(5) Additional grant for purchases of medicines	3.00
Agriculture	.. (6) Provision for sanctioned schemes awaiting implementation	10.00
	(7) New schemes in connection with grow-more-food campaign	60.00
	(8) Agricultural taccavis	102.18
	(9) Supply of seeds and manure at concessional rates	83.70
Veterinary	..(10) Expansion of Medical Stores and Serum Institute, and equipment for Laboratory, etc.	1.97
Electricity	..(11) Expansion of Power-houses	20.00
Telephone	..(12) Expansion of Telephones	43.40
P.W.D.	..(13) Tungabhadra Project, Rajulbanda Diversion Scheme and other Irrigation Works	223.63
	(14) Nizamsagar & other Hydro-Electric Schemes	66.15
	(15) Lumpsum for Nizamsagar Development and other unforeseen works	20.00
	(16) Communications	57.36
	(17) Telecommunication	3.52
	(18) Buildings	51.21
	(19) Well-Sinking Department (Famine works)	24.00
	(20) Godavari Valley Development Scheme	124.02
	(21) Extension of Begumpet Aerodrome	41.00
	(22) Grant to C.I.B. for construction of low-rent houses	10.00
	(23) Remodelling of Hyderabad water works and special repairs to Osmansagar conduit	11.50
	(24) Grants to district water works	5.00
	(25) Remodelling of Hyderabad drainage works	6.00
Municipalities	..(26) Grants for improvement works under Local Bodies	20.00
Railway	..(27) Railway construction.	92.59
Supply	..(28) Cost of subsidizing the procurement of foodgrains	60.00

ESTIMATED ASSETS AND LIABILITIES AT THE END OF 1358 F.

Assets	.. .. .	12,315.94
Liabilities	.. .. .	7,599.45

INDUSTRIAL FINANCE CORPORATION OF INDIA

The first annual report of the Industrial Finance Corporation of India for the year ended 30th June, 1949, shows a net profit of Rs. 85,507-13-8. Of this, Rs. 50,000 is to be transferred to the Reserve Fund and the balance of Rs. 35,507-13-8 made available for the payment of dividend to the shareholders. As the Central Government have guaranteed a dividend of $2\frac{1}{2}$ per cent. per annum on the share capital, a call is to be made by the Corporation on the Central Government for Rs. 10,89,492-2-4 to make up the remainder of the guaranteed dividend.

The purpose of the Corporation, which came into existence on 1st July, 1948, is to provide medium and long-term finance to public limited companies and co-operative societies registered in India (including the acceding States) and engaged in the manufacture or processing of goods or in mining or in the generation or distribution of electricity or any other form of power. The activities of the Corporation are managed by a Board of twelve Directors of whom four (including the Managing Director) are nominated by the Central Government and two by the Reserve Bank of India, while six are representatives, two each of (i) scheduled banks, (ii) insurance companies, investment trusts, and (iii) co-operative banks. The Corporation has an authorised share capital of Rs. 10 crores divided into 20,000 shares of 5,000 each. Of this, only 10,000 shares of the total value of Rs. 5 crores were issued in the first instance. The Central Government and the Reserve Bank of India have subscribed for Rs. 1 crore each and the balance of Rs. 3 crores has been taken up by the scheduled banks, (Rs. $1\frac{1}{4}$ crores) insurance companies, investment trusts and other like financial institutions (Rs. $1\frac{1}{4}$ crores) and co-operative banks (nearly Rs. $\frac{1}{2}$ crore). The Central Government and the Reserve Bank of India have also taken up the balance of 79 shares not subscribed to by the co-operative banks.

The Corporation is authorised to issue bonds

to the extent of five times the amount of its reserve fund and paid-up capital. Thus, when the paid-up capital amounts to Rs. 10 crores and the reserve fund equals the paid-up capital, the borrowing capacity of the Corporation will be Rs. 100 crores.

The Corporation's activities are confined to the financing of the acquisition of fixed assets, as the aim is to supplement rather than compete with commercial banks. The Corporation is authorised (a) to guarantee loans raised by industrial concerns which are repayable within a period not exceeding twenty-five years and are floated in the public market, (b) to underwrite the issue of stock, shares, bonds or debentures by industrial concerns, and (c) to grant loans or advances to or subscribe to debentures of industrial concerns, repayable within a period not exceeding twenty-five years. The underwriting Commitments are limited to a period not exceeding seven years. The Corporation is, however, prohibited from subscribing directly to the shares of public limited companies. The maximum amount of assistance to a single industrial concern may not exceed Rs. 50 lakhs.

The Corporation may grant or guarantee advances only against tangible assets. However, in granting loans the value of the assets mortgaged is not the deciding factor and due consideration is given to the profit-earning capacity and prospects of the concern, its financial strength, the nature of the cost of production, technical soundness of the scheme, competency of the management, market for its produce, possibilities of the availability of raw materials and other factors of production, location of the industry and, above all, the importance of the industry in the national economy.

Before granting credit to a company the Corporation arranges for the inspection of the working of the factory by its own officers who report on the soundness of the scheme in all respects. Further to ensure proper management, and judicious utilisation of the amount lent, the Directors or partners of the Managing Agency

firm are required in their personal capacity to guarantee the loans. The Corporation is also empowered to appoint two directors to see whether the management of the company is conducted on prudent lines. The Corporation restricts the dividend of the borrowing concerns to a maximum of 6 per cent.; the rate of dividend may, however be varied with the consent of both the parties. The maximum period so far allowed for repaying a loan is 15 years.

During the first year of its working the Industrial Finance Corporation received enquiries for assistance from 156 eligible concerns. Concrete proposals for accommodation were received from 95 concerns, the amount of assistance applied for aggregating Rs. 10.33 crores. Twenty-one applications aggregating Rs. 3.42 crores were sanctioned, the actual amount applied for by these companies amounting to Rs. 3.56 crores. Thirty-three applications aggregating Rs. 1.89 crores were rejected. The effective rates of interest charged varied from 5 to 5½ per cent. At the end of the period under report, forty-one applications amounting to Rs. 4.88 crores were still pending. Table I shows the amount of accommodation industry-wise, while Table II shows the classification province-wise.

TABLE I

Type of Industry	Amount Sanctioned (Rs. lakhs)
Textile Machinery	43.00
Mechanical Engineering (Oil Engines) .	10.00
Chemicals	56.50
Ceramics & Glass	60.00
Cement	40.00
Electrical Engineering	26.00
Oil Mills	1.75
Electric Power	3.00
Metallurgical Industry (Non-ferrous Metals)	30.00
Iron & Steel (Foundries)	15.50
Cotton Textiles	40.00
Woollen Textiles	5.00
Unclassified	11.50
Total	3,42.25

TABLE II

Name of Province	Number of Applications sanctioned	Amount Sanctioned Rs. lakhs
1. Assam .. ..	..	..
2. Bombay	6	73.00
3. Bihar	3	55.50
4. C.P. & Berar .. ..	..	..
5. Delhi, Ajmer & Merwara & other Centrally Administered areas .. ..	..	..
6. East Punjab	2	15.00
7. Madras	3	75.00
8. Orissa	1	40.00
9. U.P.	3	8.25
10. West Bengal	3	75.50
Total	21	3,42.25

Though the total amount of accommodation sanctioned was Rs. 3.42 crores, only Rs. 1.33 crores were made available to the companies. The disparity is due to the fact that the borrowing industrial concerns desire to obtain finance in instalments according to the maturity of their commitments. Also, some of the concerns arrange for supplies of machinery and equipment from countries other than those originally contemplated. Machinery and equipment for instance, have been ordered from Japan, where they are cheaper by 10 to 15 per cent. than in the U.K. or the U.S.A. This obviously reduces the necessity for assistance to a certain extent. Defects about the title to the land of the individual concern have also partly accounted for the discrepancy. However, in the case of certain companies interim assistance was given against a pledge or hypothecation of loose machinery, pending the completion of the mortgage.

In connection with the working of industrial concerns, the Report observes that (1) factories in some cases have been built in a haphazard manner without regard to the suitability of the site from the point of view of the area available or location; (2) technical assistance in many cases was both inadequate and poor in quality; (3) cost accounting has made very little progress; (4) knowledge of the technique of efficient production was often lacking; and (5) in view of

emergence of the buyers' market, Indian industries should devote increasing attention to the quality of their products.

PROFITS

In recent years, especially during war time, Indian industrialists have earned a bad name for making profits on a large scale. In 1947 the Industries' Conference passed a number of resolutions which were accepted by the Government but in spite of it, Government preferred to conduct its own enquiries in certain respects and a profit-sharing committee was appointed to consider all the practical problems involved in a fair system of profit-sharing between labour and capital. The problem assumed greater importance because of the rising demands of labour that all surplus profit should be shared with it in relation to production. On the other hand, whenever attention has been drawn to the need for greater production both labour and capital have sought to fix the blame for insufficient production on each other. The employers wished to cry halt to any increase in wages which they felt made labourers complacent while labour traced the cause to the high profit-making motive of the employers.

Labour claims that being a partner in industry, it is entitled to a share in profits with management. This, it feels, would act as an incentive for further production and efficiency. It is of the opinion that profits are too high and that the costs of production should be lowered at the cost of profits.

The recent memorandum submitted by the Bombay Shareholders throws a great deal of light on the evils of the Managing Agency system and though their suggestion that this system should be abolished is a matter of dispute especially in view of the innumerable services rendered by this system in the financing of industry nevertheless radical alterations can be made in the laws and by laws governing this system. The Bombay Shareholders have submitted various suggestions for implementation by the Government. It is to be hoped that in view of the

scarcity of production, the position of our balance of payments and the acute economic and financial difficulties being experienced by the Government today, the Ministry of Industries and Supply will follow a firm policy in the matter of profits.

The capitalist world has its own grievances against labour and its own justification for the profits that accrue to it. They opine that the appetite of labour is being sharpened by every fresh increase in wages. The legal fixation of a minimum wage and the many bonuses and allowances received by him have guaranteed the worker a fair return for his labour and, therefore, the demand for a share in profits is unwarranted. Profits constitute a reward for the risk inherent in all private enterprise and whether profits accrue to a company or not, wages are paid regularly and, therefore, it is absurd that labour should feel neglected on this issue.

The Profit Sharing Committee after studying this problem came to the conclusion that it is not possible to devise any scheme whereby labour's claims to a share in surplus profits could in any way be linked to the total production.

The reasons are obvious. The productivity of labour and the amount of profits that accrue to a management do not depend on any single factor. While labour no doubt plays a predominant part in it, yet the equipment, organization and management are very decisive factors in determining productivity and profits. Nor is it possible to set down a norm of annual production, as the basic conditions, viz., the size of labour, the nature of the equipment and the working units may vary from time to time. The share of labour, therefore, is bound to vary from place to place and industry to industry. In view of the strained relations existing between industry and labour it would be expedient to allow labour a share in profits with management to act as an incentive though the share will have to be decided arbitrarily.

The Profit Sharing Committee after examining six industries, viz., jute, textiles, cotton, steel,

cement, tyres and cigarettes have come to the conclusion "that 6% on capital* employed (as we have defined the term) augmented by 50 per cent. of the surplus profit would enable the concerns generally speaking to declare a reasonable dividend. If in any year, profits are not enough to provide this rate of return the deficiency should be made up in the succeeding years cumulatively."

According to the report "labour's share should be 50 per cent. of the surplus profits of the undertakings. The individual worker's share of profit, we consider, should be in proportion to his total earnings during the preceding 12 months minus dearness allowance and any other bonuses received by him.

If an individual worker's share exceeds 25 per cent. of his basic wages, we consider that cash payment should be limited to 25 per cent. of his basic wages and the excess held on his account either on his provident fund or otherwise."

The suggestion that profit-sharing should be unit-wise has been disputed on the basis that since trade unions are organized industrywise and since it involves differences in remuneration and loss of profits to those labourers working in a unit which does not make profits, it should not be organized unit-wise. Therefore, the Committee has come to the decision that while profits should normally be unit-wise in certain selected cases it should be on an industry-cum-locality basis.

The *Eastern Economist* while discussing the share of labour in company dividends comes to the conclusion that "even the distribution of a significant share of profits will be too insignificant to labour as an incentive to greater production while at the same time there will be substantial diminution in the incentive for risk offered to those who now undertake them" and draws a somewhat fantastic and exaggerated moral that "profit-sharing in industry in India at the present time can do nothing but harm possibly not least to labour itself."

Labour, however, points out to the considerable replacements and war-worn machinery and anti-inflationary measures like the controls and rationing which should have all resulted in greater production and more equitable distribution and holds employers and managers guilty of withholding the produced goods in order to prevent labour demanding higher wages and a share in profits.

But on the whole it is clear that the Indian industrial profits have been high and employers and managers have got so used to large dividends that any suggestion of a limitation of the profits makes them threaten to close down the industry. The total impact of this selfish urge for large profits has resulted in low production and the progressive dwindling of all our capital reserves. In 1944 for example, the profit index in the cotton mill industry rose to 760.4 in spite of rigid controls. An average dividend of 30 per cent. is considered normal by our businessmen and during the war profits went up still higher as in the case of Titaghur Paper Mills where net profits rose to 50 per cent. In proportion to this agricultural prices remained very low and the rural indebtedness went on mounting.

In the context of our national economy it is necessary that profits should be curtailed. In Britain, for example, the average rate of earnings from which nothing has been set aside for reserves and which has not been taxed amounts to 33.8 per cent on the legal ordinary capital but on the true equity capital, the percentage amounts to 15 per cent. The average gross dividend rate on issued ordinary capital is 13.8 per cent. whereas gross rate on net worth is 6 per cent.* If these profits are considered high in Britain the profits of Indian businessmen in comparison must appear to be not merely abnormal but fantastically high. Any measure, therefore, that Government may implement to curtail such high profits will not only be viewed with interest but sympathy.

MISS. JAYA MUTYALA.

* *Capital*—paid up capital plus reserves (including all future allocations of reserves) built out of profits on which taxes have been paid.

* The Economist, Aug. 6th, 1949 'Are Profits Too High.'

INDUSTRIAL PROFITS BASE YEAR 1928=100.

		All industries	Jute	Cotton	Tea	Sugar	Paper	Iron and steel	Coal
1939	..	72.4	13.6	154.5	96.2	179.4	151.8	289.3	139.1
1940	..	99.9	48.8	220.1	95.4	180.0	358.7	300.7	140.2
1941	..	135.4	46.8	489.1	141.3	247.3	432.2	387.3	114.9
1942	..	169.1	47.7	758.6	219.5	227.5	488.4	402.2	112.9
1943	..	170.9	37.5	988.9	137.0	283.2	535.8	323.9	133.1
1944	..	167.0	42.2	760.4	106.4	239.7	412.4	341.4	838.0
1945	..	163.2	44.5	654.1	145.1	195.6	424.6	348.5	359.7
1946	..	160.5	56.3	631.9	191.3	219.2	405.3	293.7	276.7
1947	..	138.5	49.9	497.6	207.4	303.3	258.8	251.0	238.8

SOURCE : Office of the Economic Adviser to the Government of India.

EARNINGS OF FACTORY LABOUR (1)

ANNUAL AVERAGE

		Cotton	Jute	Engineering	Minerals and metals	Chemicals and dyes	Paper and Printing	Wood stone, and glass	Skins and hides	Ordinance factories	Mints	Miscellaneous	All industries
1939	..	320.2	230.8	263.5	457.2	244.8	332.7	191.2	285.8	361.9	367.4	281.2	287.5
1940	..	325.1	265.9	345.0	491.5	229.6	360.3	175.3	327.1	408.5	462.1	261.0	307.7
1941	..	343.6	256.2	371.5	476.1	238.1	324.8	199.1	357.9	429.4	491.2	261.2	324.5
1942	..	..	..	..	..	..	..	..	..	..	..	..	..
1943	..	633.6	355.5	529.0	502.1	398.0	414.0	303.1	411.0	527.4	574.4	392.0	525.0
1944	..	772.2	363.2	539.8	573.5	434.6	474.1	363.4	532.1	546.8	695.2	513.8	536.5
1945	..	723.4	390.5	653.1	601.9	445.2	568.8	413.6	536.7	642.8	667.0	503.2	595.8
1946 (2)	..	721.8	425.0	696.1	599.8	492.4	638.4	434.4	553.2	721.2	853.7	611.8	619.4
1947 (3)	..	911.3	797.6	699.9	890.2	592.4	724.8	496.5	603.9	754.1	1,071.2	663.1	738.3

(1) The figures relate to undivided India and only to perennial factories which submit returns under the Payment of Wages Act. They include all workers employed in factories, receipt of a wage or salary not exceeding Rs. 200 per month, whether they are employed in any manufacturing process or any other kind of work incidental to or connected with it, including persons who are solely employed in a clerical capacity. They, however, exclude concessions in kind.

(2) Exclude Punjab and North West Frontier Province.

(3) Figures relate to provinces of Indian Union, excluding East Punjab.

SOURCE : "MINISTRY OF LABOUR."
1949.

NATIONAL INCOME

The concept of 'National Income approach' is becoming more familiar to those outside the narrow ring of economists. The estimates with regard to a country's income and expenditure, although they are inaccurate due to incomplete information and imperfect methods of measurement, are nonetheless important in as much as they give us material for the study of economic forces and economic change. The Government of India's publication on 'National Income of British India and the Union Provinces 1945-46' is a bold attempt in this direction. But the contents reveal that the pamphlet is too inadequate to be of any use at all for more reasons than one. In the first place it is only an estimate for British India and the Union Provinces and not for the whole of India. Secondly, the national income estimates are only for the year 1945-46, which lacks contemporary interest. Thirdly, it does not give estimates of gross national product or expenditure for the same year while the estimates of national income in other countries includes national expenditure also. Lastly, it does not give the equivalent figures for the preceding years, at least two or three years so that one could gauge easily the current trends in income changes.

We never had official estimates of national income although Mr. Findlay Shirras attempted them in 1929-30. The national income published last was for the year 1931-32 by Dr. V.K.R.V. Rao. After nearly a lapse of seventeen years, now comes suddenly the estimates of national income for the year 1945-46. Instead it would have been better if the Government attempted to publish the national income for 1948-49 for the whole of India as it is today. This would have been justified on the ground that the new Indian Government is taking a keen interest in solving its problems by an economic approach. Truly the year 1945-46 cannot be considered a normal year to be made the base for subsequent references for in that year inflation was at its peak. One is baffled to understand why and on what grounds the Ministry of Commerce had selected that

particular year for the national income estimate leaving a gap of so many years. The proper way would have been to select a base year (1938-39 is considered by all as a normal year) and estimates of national income and expenditure attempted for the years 1938-39 to 1948-49 both being included. One cannot underrate the compendiousness and complexity of such an arduous task, but then that would have provided us with the vital statistics and we would have been on a foot with other nations in this respect. The emphasis in recent years on national income research has shifted from the mere ascertainment of the various income and expenditure aggregates themselves, to an analysis of the money flows from which they are derived. The New Zealand Government while acknowledging the superiority of the "Money Flow" approach to "Aggregative" approach still followed the "Aggregative" approach in its official estimates of national income and expenditure for 1938-39—1948-49. When such a small country as New Zealand has realised the importance of maintaining vital statistics, it is a pity that such a vast country as India should lag behind.

Here is a very brief summary of the said brief publication. The summary table gives a detailed account of the income accrued to various items of primary and non-primary production aggregating to a total net national income at factor cost to Rs. 6,284 crores and Rs. 4,981 crores respectively for British India and the Union Provinces respectively. British India refers to the Provinces prior to partition of India and Union Provinces to those after partition. Both exclude the Indian States. Table 1 in the publication shows the estimated working population while tables 2, 3, 4 and 5 refer to output of agriculture, animal husbandry, forest products and mining respectively, tables 6 and 7 deal with income assessed to tax and income not assessed respectively. Lastly, table 8 takes note of adjustment factors. The minimum requirements for the construction of any table on national income are, namely, (1) a base year; (2) a previous year than the year for which national

income is estimated in order to compare; and (8) national expenditure; and this is easily done, for many of the items that form income are themselves items of expenditure. To make the

point clear tables of the estimates of national income and expenditure of the U.S.A., Great Britain and New Zealand are shown hereunder.

TABLE 'A'

NATIONAL INCOME OF U. S. A.

GROSS NATIONAL PRODUCT, NATIONAL INCOME, AND PERSONAL INCOME

(Estimates of the Department of Commerce. In Billions of dollars)

RELATION OF GROSS NATIONAL PRODUCT,* NATIONAL INCOME, PERSONAL INCOME AND SAVINGS																						
	ANNUAL TOTAL										SEASONALLY ADJUSTED ANNUAL RATES BY QUARTERS											
	1929 - 1933								1939		1941		1944		1946		1947		1948		1949	
	1929	1933	1939	1941	1944	1946	1947	1948	1	2	3	4	1	2	3	4	1	2	3	4	1	
GROSS NATIONAL PRODUCT ..	108.8	55.8	r91.3	r126.4	r213.7	r212.6	r285.7	r262.4	251.4	261.6	266.5	270.3	280.0									
Less :—Capital Consumption allowances..	8.8	7.2	8.1	9.3	11.9	r11.9	r13.7	r15.7	r14.9	15.6	15.9	16.4	16.3									
Indirect business tax and related liabilities	7.0	7.1	9.4	11.3	r14.1	r17.3	r18.7	r20.3	19.6	20.2	20.6	20.7	20.4									
Business transfer payment	.6	.7	.5	.5	.5	.6	.6	.6	.6	.6	.6	.6	.6									
Statistical discrepancy	..	1.2	r1.4	r1.6	r4.0	r4.2	r1.0	—	.9	.3	—	—	—									
Plus :—Subsidies less current surplus of Government enterprises.	.1	(1)	.5	.1	.7	.9	—	1r.1	—	.3	—	.4	.4									
EQUALS : NATIONAL INCOME ..	87.4	39.6	72.5	103.8	183.8	179.6	r201.7	r226.2	215.1	224.9	230.4	234.3	225.3									
Less :—Corporate Profits and inventory valuation Adj.	10.3	—2.0	5.8	14.6	24.0	r18.3	r25.6	r32.6	28.5	33.0	33.3	35.7	30.8									
Contributions for social insurance .	.2	.3	2.1	2.8	5.2	r6.0	5.6	5.1	5.1	5.0	5.2	5.3	5.2									
Excess of wage accruals over disbursement	.0	.0	.0	.0	—	.0	.0	.0	11.	.1	—	.1	.1									
Plus :—Govt. transfer payments	.9	1.5	2.5	2.6	3.1	10.8	11.1	10.5	11.0	10.8	10.4	9.9	11.1									
Net Int. paid by Govt	..	1.0	1.2	1.3	2.8	r4.4	4.4	r4.4	4.4	4.4	4.5	4.5	4.5									
Dividends ..	..	5.8	3.8	4.5	4.7	r5.8	r7.0	r7.9	7.6	7.7	7.9	8.3	8.4								
Business Transfer payment	..	.6	.5	.5	.5	.6	.6	.6	.6	.6	.6	.6	.6									
EQUALS : PERSONAL INCOME ..	85.1	45.2	70.2	92.0	r147.0	r158.1	r172.0	r190.8	181.9	189.6	195.2	196.2	195.1									
Less :—Personal Tax and related Pay	..	2.6	2.4	3.3	18.9	r18.8	r21.5	r21.1	23.2	20.7	20.2	20.4	18.6									
Federal ..	..	1.3	1.2	2.0	17.5	17.2	r19.6	r19.0	21.1	18.7	18.0	18.2	16.3								
State and Local ..	..	1.4	1.2	1.3	1.4	1.7	r1.9	2.1	2.0	2.1	2.1	2.2	2.4								
EQUALS :—DISPOSABLE PERSONAL INCOME	82.5	45.2	70.2	92.0	r147.0	r158.1	r172.0	r198.0	181.9	189.6	195.2	196.2	195.1									
Less :—Personal Consumption & Expenditure.	78.8	46.3	67.5	82.3	r111.6	r147.8	r166.9	r178.8	175.2	178.7	180.3	180.9	176.5									
EQUALS : PERSONAL SAVING ..	..	3.7	—1.2	9.8	r35.4	r10.3	r5.1	r12.0	6.7	10.8	15.0	15.3	18.5								

Source: LIBERAL RESERVE BULLETIN, August, 1949.

r—Revised.

(1)—Less than 50 million dollars.

* Gross National Product means Expenditure.

TABLE 'B'
GROSS NATIONAL PRODUCT AND EXPENDITURE OF GREAT BRITAIN
(£. Million)

	1939	1947	1948	1988	1947	1948
Nat. income of U.K. ..	4,640	8,725	9,675	3,715	6,159	6,498
Depreciation and Maintenance ..	450	750	825	719	2,024	1,859
				749	1,962	2,321
				93	670	178
Gross Nat. product ..	5,090	9,475	10,500	5,090	9,475	10,500
Net borrowing and gifts from abroad ..	70	630	120			
Total resources for use at home ..	5,160	10,105	10,620			

"The Economist," April, 1949

TABLE 'C'

NATIONAL INCOME AND EXPENDITURE OF NEW ZEALAND

(£. Million)

INCOME					EXPENDITURE						
	1938-39	1943-44	1946-47	1947-48	1948-49(1)		1938-39	1943-44	1946-47	1947-48	1948-49(1)
1. Salary and Wage Payments ..	111	141	187	211	226	15. Personal Consumption ..	..	150	180	260	295
2. Pay and Allowances of Armed Forces ..	1	58	8	6	4	16. Current Government Expenditure on Goods and Services ..	..	32	161	55	63
3. Rental Value, Owner-Occupied Houses ..	6	8	9	9	10	17. Gross Capital Formation in New Zealand ..	..	53	36	73	123
4. Other Personal Income ..	54	73	108	128	133	18. Exports less Imports ..	..	6	—	4	30
5. Company Income ..	20	37	48	54	50						5
6. Government and Local Authority Trading Income ..	9	18	15	13	12						
7. Lumpsum Payments from U.K. Govt. ..	..	3	5	5	..						
8. Less Public Debt Interest paid in New Zealand ..	7	11	15	15	16						
<hr/>						<hr/>					
9. NET NATIONAL INCOME AT FACTORY COST.	194	327	365	411	419						
10. Plus Indirect Taxation ..	21	32	43	53	46						
11. Less Subsidies ..	1	3	12	13	12						
<hr/>						<hr/>					
12. NET NATIONAL INCOME AT MARKET PRICES ..	214	356	396	451	453						
13. Plus Depreciation Allowances ..	15	17	22	25	27						
<hr/>						<hr/>					
14. GROSS NATIONAL PRODUCT ..	229	373	418	476	480	19. GROSS NATIONAL EXPENDITURE ..	229	373	418	476	480

(a) Provisional.

"Neuzentrnd," June-July, 949..

Recently the Government of India appointed a committee of three members to go into the question of national income. The burden of tackling this problem has fallen on the right persons, *viz*, Dr. V. K. R. V. Rao, Profs. Gadgil and Mahalono-bis, whose integrity had been tested on the anvil and found not lacking. All the three men are eminent in their respective fields. They are to be assisted by two more economists, Mr. Stone, an Englishman, and Mr. Kurznets, an American. They are expected to do the spadework in this field. With the assistance of the American and the British economists, we expect our economists to publish a genuine work which is devoid of all the technical mistakes that have been hitherto committed and which will fully satisfy the requirements of the country for vital statistics.

MISS. R. VITTABAI NAIDU.

THE MANAGING AGENCY SYSTEM

The recent memorandum on amendments to Indian Companies Act has focussed attention on a problem that has been subject to a great deal of controversy in recent months. The Managing Agency system is as old as Indian Industry. When British investors first started their industry, they were particular that permanent benefits should accrue to the organizers and so they were given monopolies. Investment of foreign capital in India was concentrated mostly on securing the highest rate of profit within the shortest time. The indigenous bankers and businessmen of India also sought to imitate the idea and they also organized their business on similar lines. But there were a few fundamental differences. Firms were the Managing Agents under British business organizations, whereas families of Indian businessmen became Managing Agents. British Managing Agents brought to bear upon their work all the business acumen, experience and knowledge of a long apprenticeship, whereas Indian managing agency system was hereditary. The shareholders who were originally intelligent critics of the system and the Directors who were appointed to scrutinize the working of the firms gradually deteriorated

into mere passive dividend recipients and 'yes men' of the managing agents. The managing agency system, which was organized to further the industrialization of India, thus became the means of securing unlimited profits to a few men. No doubt there were a number of honest people, who really worked to finance the infant industries of India and who risked a great deal in pioneer attempts to found industries and protect them against competition and the rivalry of foreign enterprises. To these great visionaries of India's industry, the country owes its gratitude. But not all managing agents were rest content with just financing their concerns. They manoeuvred in all sorts of ways to make the concerns finance them.

In 1936 therefore, an attempt at company reform was made and some major amendments were passed. But all the valiant efforts of Pandit Govind Vallabh Pant, then Deputy Leader of the Congress Assembly Party, failed against the machinations of managing agents, especially those from Bombay and Calcutta. The war helped to entrench these vested interests more firmly in their seats and everywhere new managing agents sprang up and the rates of profit rose tremendously.

The glaring evils of the managing agency system woke up the shareholders to their responsibilities and in Bombay, a Shareholders' Association was formed to safeguard their interests. Recently they published a memorandum on the abuses of the system and their suggestions for its reform. Many of the charges are justified and the shareholders have innumerable proofs to that effect. Briefly the allegations are that managing agency rights are being trafficked, companies are being exploited for personal profits, that the rights of directors are being curtailed, that profits are unjustifiably high, that managing agencies are being created where there were none and that companies are being floated with insufficient capital, in short, that the whole managing system has entered into a conspiracy to exploit the nation for their own ends.

The memorandum of the Bombay shareholders was the final signal for action and the Central Government set up a committee to study the questions and make recommendations. The English Company Law itself had been modified on the basis of the suggestions made by the Cohen Committee.

The memorandum of the committee emphasizes the need for proper inspection and outlines at the outset the hurdles in the way of proper investigations. The limited powers of the Registrar, the dilatory tactics and the tampering with evidence, often resulted in the culprit remaining unpunished. The Government, therefore, now wish to set down a strict procedure for inspection on lines somewhat similar to that of banking companies.

The clauses defining the restrictions on the managing agents have been subjected to a great deal of criticism. Business circles especially have been actively protesting against the amendments. The proposal that "the managing agents shall not be managing agents of two or more companies conducting the same line of business" is according to business circles a measure calculated to strike at the root of the managing agency system. It has been characterised as ridiculous and impracticable. Mr. C. H. Diwanji F.I.S.A., suggests an alternative amendment that, "the managing agents should not be common for two or more companies conducting the same type of business in the same locality." It is argued that the implementation of such a provision would result in depriving many companies of expert guidance and experience, as it would not be possible to employ high class technical or other staff in every management. Thus, the various branches profiting from such a practice would be left to find the required efficient personnel to run the business. The facilities of common marketing organization, technical advice, and reduced overhead expenses would be lost. A great deal of economy is effected when one agency controls many lines of business. These criticisms are no doubt true in the case of *bona fide* companies, but there are concerns which abuse these practices and they must be

prevented from doing so. Perhaps, in actual practice, a long standing company whose *bona fides* can be trusted, may be permitted under Government supervision to handle various branches of business.

The fourth provision that "companies shall not be eligible for appointments as managing agents," has also evoked serious criticisms. Government no doubt wish to emphasize the personal character of the responsibility of managing agencies but some feel that this may result in the loss of "continuity in policy and administrative efficiency." The idea is that private partnership would be welcome were it not for the ever-mounting curve of taxation, "which virtually annihilates such profits as a partnership may earn and the desire of managing agents (particularly British managing agents) to strengthen their affiliation with the trading community of this country which could only be achieved by converting the former partnership into joint stock companies." Managements by public companies, critics contend, is a safeguard against tax evasion and evils of hereditary management.

The limitation on profits as envisaged in clauses 5, 6, 7 and 8, is to be heartily welcomed. With no limit to the remuneration due to the managing agents, profits, especially during the war years, helped to turn many mediocre businessmen into millionaires.

Clause 10 lays down the tenure of office of a managing agent and adds a clause that this system of appointment "shall hold good for the next twenty years." The Government evidently wish to see for themselves how the system laid down works during this period but the clause has been misconstrued to mean that the managing system is going to be abolished after twenty years. Government would do well to clarify the clause, as any such threat of liquidation in the near future will make businessmen hesitant to launch out on any long-term programme.

The next 15 clauses, 12 to 26, are just and equitable and certainly calculated to tone up the whole system in the right manner.

Clause 27 states that, "the Central Government may declare from time to time that in respect of specialised industries or companies, the managing agency system shall not be allowed." This will certainly keep the companies and managing agents vigilant, though it may also give rise to some uncertainty and apprehension. Besides, it poses the question, whether managing agencies have outlived their use.

The prohibition of compensation, the granting of remuneration in monthly instalments, the responsibility of the directors in advancing loans, in borrowing and investing, and the need to have the balance sheet, investments and current accounts checked up regularly by the Registrar, will prevent manipulation and irresponsibility and the appropriation of accounts before the investors can get their dividends.

The success of the proper utilization of investments rests chiefly on the way in which the Directors are appointed and supervised. Very often they are packed bodies and independent directors have no chance of success unless even minority shareholders have a voice in the election and voting. Proportional representation will help to bring into the fold of the directors more honest and independent men, who can infuse confidence in the investors.

The appointment of auditors, who are not indebted to the company and not elected by them, the wide powers given to them to attend all the meetings and not only the general annual meetings as hitherto, the right to scrutinize all the branch accounts and to call for any details regarding the balance sheet and the right of the Central Government to appoint its own auditor in case of any default, all these ensure an honest assessment of the company's financial position and the honest utilization of public money for the building up of industry. At times, shareholders were ignorant as to the method by which remuneration was calculated.

The managing agents used their powers to transfer their rights as they pleased and the memorandum of the Bombay shareholders gives instances of individual concerns changing hands

indiscriminately, leaving shareholders at the mercy of the purchasers, who used the funds and reserves as they pleased for their own benefits. The managing agents advanced money in allied concerns, to acquire voting control and there are instances of plant and machinery being sold or mortgaged for this purpose. The new amendments clearly set down the terms of transfer, borrowing, lending and investment and the need, not only for legal sanction to effect these, but also the consent of the shareholders and auditors.

Foreign companies have also to submit to these rules henceforth and any company must be registered by the Provincial Registrar and when any such company desires to sell its shares in India, it must first submit its prospectus to the Registrar.

On the whole, the amendments to the Indian Companies Act are certainly good. Some matters that still deserve consideration are the subsidiary system and presentation of group accounts, underwritings, introduction of shares on the Stock Exchange and the framing of regulations which may compel the management to give reasonable information to shareholders.*

One factor that must be borne in mind is that these amendments are only tentative. The public is free to make its suggestions and give their approval to the proposals. Government's chief duty should be to see that no *bona fide* company suffers, because the managing agency system still has its merits, but at the same time, the mushroom profit-making concerns should be punished.

In Hyderabad, the task of the managing agents is performed by the Industrial Trust Fund. A great number of Hyderabad industries are subsidized by this organization either through the Industrial Trust Fund acquiring shares in the concerned industries, or by way of loans.

Recently, following the Police Action, the management of many of the concerns were taken over by the I.T.F.

*Free Press Journal 9th November, 1949.

The management is conducted through operative directors appointed by the I.T.F., but in most cases the directors are the same persons who had been running the concerns. No doubt the retention of able and experienced hands helps the Government to keep the firms and industries working smoothly and moreover it indicates that the chief concern of the I.T.F. is only to supervise and subsidize the concerns and not swallow up the industries. A number of private firms are also operating under the supervision of the I.T.F.

It is easy for the I.T.F. to utilize the shares and investment to the best advantage possible because its membership consists of all those officers who are in a position to best assess the overall picture of the industrial position of Hyderabad. The Minister for Finance, the Minister for Commerce and Industries, the Director of Industries, the Minister for Public Works, the representatives of the Chamber of Commerce, the Hyderabad Millowners' Association and the I.T.F. can together decide the best method of developing the industrial aspect of Hyderabad.

The capital of the Hyderabad industries consists mostly of investments and the funds allotted by the I.T.F. Some of the industries, as the Sirpur Paper Mills Ltd., the Nizam Sugar Factory Ltd., the Hyderabad United Insurance Co. Ltd., the Deccan Porcelain and Enamel Works Ltd., etc., are prosperous concerns, well-managed and which promise a bright future.

But some other industries like the Praga Tools Corporation Ltd., the Taj Glass Works Ltd., and the Ceramic and Lime Industry Ltd., are running at a loss and the task of the I.T.F. will be to reorganize these industries and set them on their feet again through capital advances, technical advice etc., Some industries have great potentialities in the shape of raw materials, transport and close proximity to areas which possess many natural advantages. Such industries include useful ones as those of tin, chemical and pharmaceutical, oils and paints, clay, etc. which, with a change in management and some

financial help, could become leading industries.

A few, however, not only seem to lack natural advantages but are running at great loss and seem to be on the verge of liquidation. If the I.T.F. can reorganize them, the task would be worthwhile attempting, but if the future of these industries gives no hope of better prospects, then it would be better if funds were not wasted on tottering concerns.

The I.T.F. as the managing agent of these concerns, could undertake to sell away these concerns with the consent of the shareholders or sell the Government shares to the public, even at a discount and recover some of the money invested in them, or place them under its own or some management, if there is hope for their survival and improvement.

The rules applicable to companies in India can also apply in great measure to the management here, especially as far as the scrutiny and auditing of accounts, the sale of shares, the forwarding of loans and the checking up of receipts and payments is concerned. The entire management of the committee can rest with the I.T.F. so that proper co-ordination is ensured.

The net income of the I.T.F. consists of dividends on shares, the managing agency commission, which ranges between 10 per cent. to 12 per cent. the interest on investments, as for example, Government Securities and, as in the case of the Azam Jahi and Osman Shahi Mills, income consists also of the selling agents commission.

The manner in which these profits are to be distributed depends on the Government regulations. Whatever the method adopted, the chief factor to be borne in mind is that until private investment comes forward in sufficient measure, the greater part of the task of financing industries will rest with Government. Moreover even if private enterprise does exist, the best agency in co-ordinating such investments would be Government. The sooner, therefore, the whole system is organized to reduce the evils

of an unchecked private managing agency system, as is being already done by the Government, the better will be the industrial future of Hyderabad.

Mrs JAYA MUTYALA.

THE WELFARE BUDGET

SOCIAL SECURITY PAYMENTS AND CONSUMER SUBSIDIES

Britain has long known the indirect tax, which reduces the consumer's effective purchasing power by raising the price of what he buys. State schemes for doing the exact opposite are more novel. Publicly organized transfers of purchasing power between citizens involving actual payments, such as pensions and insurance benefits, are (except for the Poor Law) not yet 40 years old. The use of subsidies to achieve the same end by reducing the prices which consumers pay is (outside the field of municipal housing) even newer. Consumer subsidies did not become important until during the recent war. Since then they have grown apace.

To-day these transfers of purchasing power are arranged in two distinct systems. All the social security payments are earmarked for the benefit of particular groups within the community with some claim to social aid—the old, the sick, the widows, the families with several young children. So are some of the subsidies. This year the authorities are incurring losses (subsidies) of about £. 45m. to enable expectant and nursing mothers and children to obtain milk, vitamin preparations, and school meals at reduced prices or wholly free. Most of the subsidies, however, are not “earmarked” but “general.” They are given not selectively but indiscriminately to all purchasers, without regard to need, and so form a second system of transfers.

THE TRANSFER BUDGET

The following table shows the growth of these two systems, but leaves out housing subsidies, which are not discussed in this article:—

	CALENDAR YEARS		FINANCIAL YEARS	
	1938	1948	1948	1949*
	£.m.	£.m.	£.m.	£.m.
I. “EARMARKED” TRANSFERS				
Total	.. 268	594	..	675
A.—Social Security				
Family allowances	.. ..	59	..	60
Insurance	.. 124	333	..	385
War and industrial injuries	.. 38	8	..	100
Assistance	.. 103	75	..	85
Total	.. 267	552	..	630
B.—Subsidies:—				
Milk and welfare foods	1	36	..	37
School meals	..	6	..	8
Total	.. 1	42	..	45
II.—GENERAL CONSUMER SUBSIDIES				
Food	.. ..	428	449	428
Agriculture	.. 14	19	22	25
Other	.. ..	43	34	7
Total	.. 14	490	505	460
TOTAL OF I AND II	.. 282	1,084	..	1,135
		Estimate		

It will be seen that the whole transfer budget has grown fourfold since 1938. The “general” or indiscriminate portion of the budget, which was very small before the war, claimed 15 per cent. of the whole in 1948 and is not likely to fall below 40 per cent. in the current year. By far the greater part of the general subsidies is applied to food—at least £. 128m. this year out of a total of £. 460m., or more if all agricultural subsidies are reckoned as food subsidies. Against these food subsidies, however, must be set the indirect taxes still levied on some foods. These reduce the net value of general food subsidies to about £. 189m. in 1946, £. 343m. in 1948 (financial year), and probably £. 355m. this year. Their value to the average consumer in the United Kingdom has risen from about 1s. 6d. a week in 1946 to 2s. 7½d. last year and about 2s. 8½d. this year, equivalent to the price of 15 cigarettes.

DIRECT BENEFITS

The earmarked portion of this huge budget is one of the few branches of public spending which can hardly be cut. Though money can and should be saved by managing sickness benefit and national assistance more carefully, the basic social security rates of 59s. 6d. weekly for a married man with three children (or 78s. 6d. in case of industrial injury) are not lavish compared with the average industrial male wage of £7. The nutritional and social value of the milk and welfare food schemes justifies their cost. In principle the same can be claimed for the subsidy involved in school meals, though in practice they are now costing the authorities the large sum of at least £. 20m. a year in overheads over and above the saving to parents of some £. 8m. for food and fuel. The artificial array of incomes and prices set up by all these schemes is designed for the special benefit of groups whom the community wants to protect.

The general subsidies have less in their favour. They are a cause of high taxation, and they conceal from consumers generally, who have no particular claim to such protection, the true cost of a wide range of foodstuffs. These subsidies are an obvious—though not the only—major item in the budget which might be cut. They are particularly vulnerable because it is not merely public outlay but the standard of living actually enjoyed by the British people, now greater than their current efforts and circumstances can sustain, that must for the time being come down. Whose standard of life is to suffer? Certain stock answers must be ruled out as inadequate or intolerable—"soaking the rich" further, raising yet more taxes, cutting wages or social security payments, or reverting to large-scale unemployment. There remains only the solution of raising prices to consumers while preventing consumers' incomes from increasing in proportion. Winding up the general subsidies would be a logical way both of raising unrealistic prices and of cutting public outlay.

There is no possibility of sweeping all food

subsidies away at a single stroke. It would be neither desirable nor practicable. But assuming for argument's sake that they were all removed, then the average man or woman wanting to consume the same food as before would have to forego 15 cigarettes a week, or make an equivalent sacrifice of some other kind. Many millions of families and unattached adults could easily do this. But large numbers of others living on the margin of poverty would be in immediate distress. An old couple with only a weekly retirement pension of 42s. to live on would need another 5s. or 6s. to make ends meet and would have no reserves to draw on. A married man with three children living on weekly earnings of £.5 supplemented by a family allowance of 10s. might find his food bill up by as much as 15s. and would be equally embarrassed. To families in the position of his the general food subsidies are worth as much as the family allowances and "earmarked" subsidies they receive. Abolition of food subsidies might raise the total cost of living to the "average consumer" by about 5 per cent., but the poorest and least equipped to support higher prices might be faced with a rise of 12 to 15 per cent. in living costs.

Such difficulties are, however, confined to minorities within the community. Only 3m. families contain more than one dependent child under 16 and of these only about a million have more than two such children. At least half of Britain's 16 m. male workers of all ages have no dependent children at all. Nor is the whole minority of larger families dependent on breadwinners with very low earnings. Yet it is the real plight of those that are so dependent which gives trade unions their strength to insist on general wage increases when living costs go up; and in order to prevent wage increases that might more than nullify any reduction of subsidies, the Government have preferred to keep the latter at their present high level.

VALUE FOR OUTLAY

What is not realized is that a doubling of expenditure on family allowances (or similar

earmarked transfers) would give families with more than one child as much real value as they get from the sixfold greater net outlay on general food subsidies, or would get, if the latter were abolished, from an even greater all-round addition to wages. If family allowances and similar benefits were made more substantial, they would provide the counter to the chief trade union objection to reducing general subsidies. They would permit, if desired, the fixing of a minimum wage which would not obliterate the already narrowed gap between the earnings of skilled and unskilled men, thus meeting the unions' other main argument for higher wages all round. They would pave the way for equal rates of pay for men and women, which unions and political parties all say they want. They would be an overdue contribution to a sound policy for parenthood.

For many reasons there is a case for greater generosity with family benefits than with the other social security payments. It is also more doubtful to what extent the latter would need to be raised to safeguard the "human needs" of their recipients, or to what extent those needs should be met by assistance rather than insurance payments. Some benefits, such as retirement pensions, are the chief income of many people for years on end; some, like sickness and unemployment benefit, are usually drawn only for a few weeks at a time by people who mostly have other resources too; while others, such as war and industrial injury pensions, are paid even to men who are working

and fully supporting themselves. Even allowing for a 10 per cent. raising of all the main benefits, lesser increases of the injury pensions, a liberal addition to assistance payments, and increased costs for the milk and meals schemes, the total budget for earmarked transfers would need to be increased from £. 675m. to not more than £. 800m., including the additional £. 60m. for doubled family benefits.

It can thus be argued that the addition of £. 125m. to one branch of public spending—the earmarked transfers—would fully justify the lopping off from another branch—the general consumer subsidies—of £. 355m. The purpose of this calculation is not to advocate changes necessarily of this magnitude but merely to indicate the broad outline of a bolder strategy for dealing with the intermingled problems of wages, subsidies, and family income in times of stringency. What the calculation suggests, so far as can be reckoned without family budget surveys (of which the present dearth is deplorable), is that every extra £. used to maintain a decent standard of life for groups deserving protection against normal economic stresses justifies the saving of about £. 3 on indiscriminate transfers of purchasing power among the general body of consumers—that is, a net saving of up to £. 2 on public spending. Those who see only the burdens imposed by the present system of unselective subsidies are helping as much to obscure the real issue as those who see only the real needs the system meets so wastefully.

Trade and Tariffs

HYDERABAD GOVERNMENT'S NEW RULES FOR GRANT OF IMPORT OR EXPORT LICENCES

THE Government of Hyderabad has decided that, with immediate effect, all applications for Import and Export licences whether from quota-holders, manufacturers, established importer or exporters or newcomers addressed to the Commerce and Industries Department, Hyderabad Government, or submitted to them for being forwarded to the Ministry of Commerce, Government of India, will not be considered unless the applicant has lodged certificates of Income-tax verification in the prescribed form along with the application.

For proprietary and partnership firms, it will be necessary to lodge certificates of Income-tax Verification in respect of proprietor or proprietors and in respect of each of the partners as the case may be.

The certificate, when obtained, should be sent by the applicant or his authorized agent to the Commerce and Industries Department in a cover clearly superscribed "Income-tax Verification Certificate." Each certificate after receipt in such office will be registered and registration number will be allotted in respect of it and communicated to the applicant who will quote the Registration number prominently on all applications for import and export licences made thereafter.

The following classes of applicants will be specifically exempted from the necessity of producing Income-tax Verification Certificates :-

(a) Such Government and semi-Government institutions as are not liable to Income-tax.

(b) Firms, individuals or companies in Indian States where no Income-tax is levied and who have no place of business in the Hyderabad State.

(c) Companies, public or private, which are incorporated under the Indian Companies Act after 1st Azar 1357 F. Such companies should produce a certificate from the Registrar of Companies concerned showing the date of their incorporation.

(d) Other types of persons who are not otherwise liable to Income-tax under section 4 (2) of the Hyderabad Income-tax Act 1357 F.

(e) Firms and individuals claiming to be exempt from Income-tax Act should give particulars of their income and State fully the circumstances in which they claim to be exempted from the Hyderabad Tax.

(f) Applicants claiming exemption from the production of Income-tax Verification Certificate will also be allotted registration numbers in the same way as those who are required to produce the Income-tax Verification Certificates and request for registration by such applicants should be addressed similarly in a cover superscribed "Exemption from Income-tax Verification Certificates."

Nothing stated in this note applies to applicants for import and export licences for small values not exceeding O.S. Rs. 5,000 in c.g.f. and f.o.b. values respectively.

In the case of persons, firms or companies who had been residing in what is now Pakistan and are, therefore, unable to comply with the requirements of this notice, applications for import or export licences will be considered without the production of the Income-tax Verification Certificate. They should, however, produce sufficient evidence to show that they had their place of business or had been residing in what is now Pakistan and are, therefore, unable to produce the Verification Certificate.

INDIA'S BALANCE OF PAYMENTS

In a world of ever-increasing economic crisis the attention with which the economic policies

of India are being scrutinized do not evoke any great surprise, but the reasons for this critical analysis appear to be based on an exaggerated fear that India's international economic position is on the verge of complete bankruptcy and unless the position of its adverse balance of payments is radically changed within the shortest possible time, India will be reduced to a very unenviable position. To many the balance of payments, reflects India's internal position and the belief that the external trade of the country reflects to a great extent its internal position still seems to prevail. There is no doubt that India's external position is deteriorating especially so within these last two years and from a creditor country in the war years India has rapidly changed into a debtor country as revealed by its present adverse balance of Rs. 95 crores. The simultaneous impact of many forces has helped to bring about this position. The causes, however, are not cyclical. The depression in India is due to causes other than secular stagnation.

The partition of the country affected India severely especially in respect of jute, cotton, tea and food. The most fertile areas, with greater irrigation and larger yields of crops lie in the Pakistan area. While India gets about 65 per cent. of the total yield of wheat the yield of Pakistan is about 35 per cent. The position with regard to rice is roughly 3:1.* In short, the total share of Pakistan in food production is 24.5 per cent., and in the case of wheat as high as 34.4 per cent.† Pakistan is therefore, in a position to supply about three million tons of foodstuffs towards India's deficit of four million tons as stated officially, but which may be double that figure in reality.

So far as the production of jute is concerned, the monopoly has shifted to Pakistan, consequent upon the Partition. Bengal produced about 85 per cent. of the total jute produced in the country of which East Bengal areas produced

73.4 per cent. Moreover, the jute from East Bengal is superior in quality and contains a great deal of high coloured fibre suitable for the manufacture of high grade hessians. But while the raw jute belongs to Pakistan, all the jute manufacturing centres belong to India, most of them being centred around Calcutta. India has about 46,000 hessian looms and 25,000 sacking looms which together account for 57 per cent. of the total jute looms in the world. Indian mills consume 6.5 million bales of raw jute every year of which at least 4 million bales will now have to be imported from Pakistan.

The position with regard to cotton is equally disadvantageous to India. The long staple variety cotton like that of America is mostly to be found in Sind and West Punjab. Pakistan produces about one billion bales of this variety. The requirements of Indian mills necessitates an import of 1.5 million bales of long-staple cotton and Pakistan can supply 0.8 million bales.

In respect of tobacco and petroleum also India suffers a loss on account of Partition.

Thus the division of the country has left India much poorer in regard to just the essential commodities.

The refugee problem followed in the wake of the Partition and the huge expenditure incurred in rehabilitating them has proved to be a somewhat expensive outlay of unremunerative capital and yet it was a vital necessity if the nation was to follow the ways of peace and order. The Government of India spent Rs. 22 crores between August, 1947 and March, 1948 and about Rs. 15 crores between 1948-49.

The Kashmir problem along with the other defense activities accounts for nearly 47 per cent. of the budget allotments. The Police Action in Hyderabad was also responsible to some extent for swelling the budget. The amount of expenditure incurred on imported food, refugees, civil administration, interest charges and pensions, accounts for nearly 90 per cent. or more of the total expenditure.

* Economic consequences of the Partition. C. N. Uakil.

† Rising Prices and falling production, C. N. Uakil.

Thus very little is really left for nation-building activities.

The partition and the events that have followed are however of recent origin. Far more deep-rooted maladies have contributed to the depression in India. Ever since the war, India has been having an inflation and even though the war is over the inflationary conditions still continue. The real value of the rupee came down to five annas while the cost of living increased tremendously. The result was that the burden on the poor man increased a great deal. The drain on food and material during the war years resulted in great misery so well typified by the Bengal Famine. With a view to ensuring at least a minimum quota of essentials to the people, Government imposed controls but the policy of controls never achieved its end. Even today, in spite of controls and rationing, blackmarketing and profiteering are going on merrily. Nor were the prices fixed by Government ever adhered to. Even to this day the administration allows so many scandalous practices to continue unchecked, which reflects sadly on the nature of our administrative services. Corruption, nepotism, bribery and intrigues flourish in almost every department and the numerous charges against high officials in various centres, reveal the great gulf between precept and practice.

Capital is very shy these days. It may be that lack of business confidence, economic uncertainty, paucity of raw material, irregular supply of goods, want of proper capital equipment, labour trouble and the fear of taking new steps in such uncertain conditions are partly responsible for lack of investment. But where capital has come forward, it has always been on monopolistic lines, with a view to high profits, irrespective of the grave problems facing the country. Moreover, it is not competitive, with the result that healthy incentives to better production are absent.

Added to this are other difficulties, like inadequate and inefficient transport and lack of

efficient and trained railway employees. Industries like that of the Tata Iron and Steel Factory, cement, textiles, paper and chemicals were affected, because coal was not available in time. Above all, the "communist" psychology, *viz.*, the destructive methods adopted, has resulted in a great deal of misery everywhere. If the nation co-operated in eliminating all these handicaps, then the economic problem of India would certainly present anything but a gloomy picture.

Some economists believe that over-population is the primary cause of this economic insufficiency and remedies ranging from birth-control to deliberately allowing a few thousands to perish are suggested. But it is more likely that such desperate attempts to interfere with nature will only result in greater misery and more complex problems than ever before, and all man's attempts may only shift the problem from the Finance Ministry to the Health Ministry. Nor is there any need to fear that the adverse balance of India is now irremediable. If a proper distribution is made between current and capital account, then the deficit would not appear so alarming. Long-term accounts must be viewed in the light of the benefits for which they have been undertaken. No doubt a considerable incentive has got to be given to exports, so that the drain on our foreign exchange resources is lessened.

The remedy resorted to by India in devaluing her rupee cannot be justified because when India is already in the grip of inflation, devaluation only aggravates the problem. Moreover, events have proved even within a few days of the rupee being devalued, that internal and international segments of economy cannot be separated. Prices have shot up and the businessman is profiting at the expense of the poor. Until the cost of production and living adjust themselves to the new rate of exchange, the capitalist can be sure of his profits.

Moreover, even with the best co-operation, it is doubtful if devaluation will give us the

promised benefits. Its adverse effects are apparent. Prices of dollar imports will increase by one-third, the price of food imports from dollar areas will also increase by a third, the value of sterling balances is already lowered and any repayment of loans received in dollars henceforth, will only increase the burden on the rupee. Moreover, it is doubtful if America will continue to buy her requirements from India, especially if the quality of our exports which is reported to be very poor and far below the standard described by samples, continues to be the same. For example, the U.S.A. can secure coir and copra from the Philippines, cashew nuts from Mozambique or pepper from Ceylon and Indonesia, as also tea, manganese and mica from other places. Will devaluation increase India's aggregate export earnings? On the other hand, India's anticipated deficit of 80 crores now becomes 60 crores because of devaluation.

India's import and export controls are partly responsible for the frittering away of our exchange resources on luxury and non-essential goods, especially during the war. Our whole policy was directed to bartering away our most precious wealth, *viz.*, raw goods in return for food. Raw materials are limited and their production depends on many factors. It would be better if India does not have ambitions to maintain a high level external balance of trade, and concentrates on developing her raw materials.

Even a brief study of India's balance of trade in the past years shows that India has never had an unfavourable balance of trade. The present situation is an exception and more or less transitory. Mr. Venkatasubbiah giving a statistical analysis of India's foreign trade between 1900-1940 gives various reasons as to why India's national income did not rise in relation to her imports. He opines that the nature and pace of the economic development within India have resulted in greater imports. Our consumer's goods were subsidized with our

agricultural income. Moreover, foreign investment with its eye on quick profits did not develop India's industries to meet the growing demand for consumer goods, with the result that the margin of our favourable balance of trade grew narrower.

Absence of business cycles, lack of producer's goods industries, inadequate pace of the development of services, the export of raw materials, inadequate rate of capital investment and its improper direction by the managing agency system, the failure of the few local industries to consume the indigenous raw material, the rise in demand for mechanized goods and our comparative backwardness in industrialisation and above all in developing our agriculture has reduced us to the position of a food importing country.

To correct our balance of payments, we must concentrate not so much on our exports, as on developing our internal economy. Self-sufficiency within reasonable limits and a greater utilization of our goods locally would aid India's economy far more substantially than any amount of exports in a frantic bid to equalise our balance of payments. B. N. Ganguli in "The Reconstruction of India's foreign trade" suggests that if the backward regions are to develop properly and help in world trade, then sufficient protection should be given to them, as free competition in a world of unequal economic development will only injure the interests of backward countries.

(MISS) JAYA MUTYALA.

"EXPORT OR PERISH"

"Export or Perish" is the latest addition to the ever-increasing list of slogans in this country, and while there appears to be an element of exaggeration in this, there is a definite element of urgent reality, which the country has to grapple with.

The whole character of India's foreign trade has changed with the coming of independence and partition. The adverse balance of trade for

1948-49 is calculated at Rs. 95.25 crores or $2\frac{1}{2}$ times greater than the deficit for 1947-48 which was Rs. 37.07 crores. The total value of the country's foreign trade was Rs. 941 crores as compared with Rs. 802 crores in the previous year. Imports were valued at Rs. 518 crores and exports, including re-exports at Rs. 423 crores. As against this, Pakistan closed the fiscal year 1948-49 with a net favourable balance of Rs. 72 crores, but these figures are slightly deceptive as Pakistan's unfavourable balance of Rs. 23.66 crores with other countries is more than offset by the favourable balance of Rs. 95 crores due to the trade over the land frontier with India.

For India today almost all the currencies are hard. She has a dollar deficit running into the neighbourhood of Rs. 210 crores a year; and which tends to increase month by month. She has not only spent the sterling balances allocation for the three years ending July 1951 (£160 m), but an additional £42m. Finally it is estimated that in Pakistan India is running a Rupee deficit at the rate of Rs. 50 and Rs. 60 crores a year.

The main causes for this unsatisfactory state of affairs are : (1) high prices, (2) the unsatisfactory quality of goods sent overseas and the deplorable lack of business morality, (3) higher domestic demand for exportable merchandise, (4) the continuing high level of food imports, (5) the economic consequences of partition, (6) limited capital available for investments. Analysing the above causes we find :

i. High Prices deflect the inordinately high costs and unless costs are levelled down, the stalemate is likely to worsen. Jute goods which account for over 85 per cent. of India's total earnings of foreign exchange and more than 60 per cent. of the hard currency earnings have lost that cheapness which had won for them the monopoly of being the world's sole packing medium and as a consequence thereof, both cotton and paper are slowly usurping the unrivalled position formerly held by jute. In 1948 the U.S.A. took only 2,15,000 tons of jute goods against a pre-war peak figure of 2,91,000 tons.

When all the world over price levels are falling, the Indian trend is in the opposite direction and this is mainly attributable to the cost of raw-material, cost of labour, cost of transportation and cost of Government each of which has to be cut down considerably if India has to retain her place in world trade. The position in cotton yarn and manufactures which form nearly 10 per cent. of India's total exports is very disquieting. As against a total export quota of 350 million yards of mill-made cloth during 1948-49 only 177 million yards were exported by sea to countries other than Pakistan as compared to 422 million yards in 1944 and 437 million yards in 1945. The cause for this is not far to seek. The prices of certain classes of Indian textiles are reported to be 20 to 40 per cent. higher than the prices of similar quality textiles from Japan and U.S.A. The Government had decided to remove export duty on cloth but this should not be an incentive to profiteering but the benefit of this remission must be passed on to the overseas consumer. Tea is losing hard currency markets because of rising price and declining quality.

ii. It is very unfortunate that our businessmen should have thrown the basic tenets of business honesty to the winds by perpetrating fraud over quality; but, without underestimating the damage caused to our reputation it can be safely asserted that this in itself has not materially affected India's balance of trade. Putting an end to fraud and dishonesty every opportunity should be utilized to improve the quality of India's exports and enhance their reputation and ready availability abroad and for bringing this about the Government must step in. It is heartening to note that the Commerce Ministry's policy is now more towards promotion, rather than mere control, of exports. While the export of a large number of commodities has been decontrolled, Government propose to retain certain residuary powers over the export trade, such powers being mainly related to goods which have a high bargaining value in international trade or for which there is a ready market in hard currency areas.

iii. Higher domestic demand for exportable merchandise. Our principal exports, which were jute, tea, cotton yarn and manufactures, are fast losing their markets in the hard currency areas. Partition has crippled us in our jute export and we are today the best buyers of the same material. Since our slogan to-day is 'LESS IMPORTS' the domestic demand for the exportable goods has naturally risen high and our foreign earnings have fallen.

iv. The continuing high level of food imports is one of the chief elements in the country's inability to balance its overseas trade. It quietens our disturbing mind to feel that we would be self-sufficient by 1951. But there is no solid ground for such a comforting hope. For a long time to come it should be India's endeavour to sustain her exports at a high level so that the meagre daily ration could be maintained. The import of food grains was valued at 23.00 lakhs for 1947-48 and the rise was steep in 1948-49 when it was valued at 66.51 lakhs. Taking into consideration the money spent as subsidy on food stuffs, it represents an amount paid to foreign growers of Rs. 100 per ton more than Indian cultivators would receive for the same product. The subsidised food is sold to less than 5 per cent. of India's population. With such colossal figures on the import side and such diminutive figures on the export side, it is impossible to conceive of a balance of trade for India.

v. *The Economic Consequences of Partition* :—The whole pattern of India's trade has undergone a metamorphosis with the advent of independence and its corollary—partition. The repercussions of partition which every one feared are slowly unfolding themselves. Foreseeing all this, and the inevitable interdependence of the two dominions in the sphere of trade, a standstill agreement was signed by the representatives of India and Pakistan covering the period ending 29th February, 1948. It generally provided that no departure from the status quo in regard to important export controls and customs tariff should be made by either government without

mutual consultation. Following the termination of this standstill agreement on February 29, 1948, Pakistan was declared a 'Foreign Territory.' Till this date the economic consequences of partition was masked but today we realise that the serious cause of the rapid deterioration of India's exports is due to the division of the subcontinent. It has hit us hard at the strategic points and has mutilated our capacity to export commodities like raw jute, raw cotton and hides and skins. On the other hand it has made us 'Substantial Importers' of the same material. Another serious consequence is that it has worsened our food position to the extent that we are heavy importers of foodgrains today. We have lost the most precious wheat-growing lands to Pakistan. Our export trade with the outside world has suffered a decline and what is more, we have an adverse balance of trade with Pakistan itself. Our import needs have enhanced considerably.

vi. Few realise that the capital a country can command is the bulwark against unfavourable returns of international trade. India, being roped in with the other members of the Commonwealth, has no freedom to proceed with multilateral trade. Her access to the dollar areas is limited by the Commonwealth. Though India commands a very high (if not the highest) international credit, it is actually finding it very difficult to raise credits abroad with which she could secure capital and personnel. Multilateralism in trade presupposes multilateralism in capital and population movements. The apparent attention which is about to be given by the U.S.A. to underdeveloped countries is not even an apology compared to the special treatment the U.S.A. is giving to the European Countries in the guise of Marshall Aid, Atlantic Pact, etc. It is proving a herculean task to secure a loan either from the International Monetary Fund or the World Bank. The World Bank is unwilling to give the loan which India requires for her multifarious schemes and perhaps what she will get ultimately will be microscopic viewed against her requirements. There are plans to aid under developed countries

but the facts prove that the attitude is one of apathy to Asia and the Far East than one of concern. This has also retarded our exports to an extent.

The situation is undoubtedly serious but it is not beyond remedy, if only it is met with well-defined measures. A policy of drift however can only lead to the following disastrous consequences :—

(1) A sudden enforced and piecemeal contraction of imports from America, from the Commonwealth and from Pakistan to the extent of the deficit with each, for creditors will only grant so much credit and when the limit is reached “the night cometh and no man can borrow more”. This will mean a big drop in the arrivals of food and capital goods, which, with raw jute and cotton are India's largest imports. (2) Continuing and rising production costs together with the world recession will lead to a big drop in exports which in turn will further raise the adverse balances and diminish imports.

So it is imperative that Government must immediately take the hard road to recovery, even if it may shock various sections of opinions, whose baselessness appears to be in direct proportion to their popularity. Government cannot always be concerned with the emotional attitudes of its subjects and the country's public opinion must be taught the basic dictum, that a nation's standard of living is not one that it deserves but what it earns—if England could do it there is no reason why we cannot. In 1948 the U.K. balance of payments with all countries in the world showed a deficit of £120 million, a marked decrease when compared with the enormous adverse balance of £680 million in 1947. The entire credit goes to the ability of the British people to tighten up their belts and this attitude should be a standing lesson to us in our struggle for balanced foreign trade. An austerity plan must be strictly enforced at *all levels*, and Government control should be exercised to level down high costs and consequently high prices, to cut out all unnecessary imports and step up our

exports to as high a level as possible.

Today the main disturbing factor in our balance of payments is our food imports and if self-sufficiency in food is achieved at least to a large extent, the position is bound to improve. All eyes are focussed on our new Food Commissioner, R.K. Patil, who we all hope, will make the ‘Grow more Food’ campaign live, not merely on paper but in fact. The food problem is now being treated on a war footing and if every citizen rises to the occasion it would not be any miracle if we turned the corner.

The import of capital equipment might also be cut down but since its aim is to help to raise our standard of living, it may be objected it would be incorrect to halt such an essential process. But a long range view would show that postponing capital imports for the moment may eventually lead to a higher standard of living than to persist in buying when the prices are at their highest and in the fact of a recession which may condemn the machinery to a long period of idleness when erected. Waiting until prices come down will have the double effect of reducing Industries Capital charges and increasing their earning capacity. Secondly, a pause in capital imports will help Government to review and reconsider the whole net-work of development schemes, so that a rationalised plan may be drawn up.

Drastic reduction in import must be accompanied by efforts to increase earnings at home and abroad. The major problem is the reduction of production costs and undoubtedly the greatest single burden on production is the cost of our several Governments—Central and Provincial, which is estimated to be Rs. 800 crores exclusive of States and States Unions and Rs. 1,000 crores (inclusive of States) or 25 per cent. of India's national income according to recent calculation. Substantial reductions can be made in the central budget which allows for an expenditure of Rs. 322 crores on revenue and 240 crores on capital account. Again all provincial Governments have directly swelled the costs of produc-

tion by the levy of indirect taxes on all essential commodities. As long as industry has to support the present high cost of Government, it will neither be able to compete in world markets nor will the high prices at home come down.

The economics of India and Pakistan are so closely interlinked that the prosperity of one depends on that of the other and commonsense calls for greater co-ordination in the policies of both countries, to help in balancing the foreign trade in each dominion.

Subject to what is said above, we agree with the view expressed in an article in the July issue of the Reserve Bank of India Bulletin, that, for a country which under the exigencies of the war maintained a high rate of forced saving and which at the end of it, had to endure the disturbing effects of partition, the general course of India's balance of payments up to the end of 1948 cannot be considered to be altogether unsatisfactory.

VILASINI HARAVU.

GOVERNMENT INSURANCE AGAINST EXPORT RISKS

With the very unfavourable balance of payments which we have been experiencing of late increasing attention has been diverted towards the need to bridge the gap. For this it is not only necessary to cut down unessential imports but it is of paramount importance that we should do our best to give a support to our exports. In the first half of this year exports to the hard currency countries alone fell down from Rs. 35 crores during the corresponding period last year to 25 crores. Obviously notwithstanding official and non-official exhortations nothing is being done in the export field. In July 1949 an Export Promotion Committee was appointed under the Chairmanship of Mr. A. D. Gorwala to make recommendations as to the measures to be adopted for stepping up exports.

This Committee has recently submitted its report and among its many suggestions there is not one which deals with the question of cover or

insurance against the risks which the exporter has to undergo in his dealings with the customers of other countries. The terms of reference are wide enough and surely the Committee are not unaware of the existence in other countries, especially in the United Kingdom, organisations which look after risks arising out of export trade. It is also not as if the Committee are unaware of the hazards associated with export trade. And especially at a time like this when the stimulation of exports is given higher priority this topic assumes great importance.

The risks attendant on export trade are real and many and are of such a nature as to deter less enterprising merchants especially new ones from pursuing vigorously this highly important national activity. We are not speaking of the risks that usually go with a slump in prices or fluctuations in exchange which may cause loss on sales made in foreign countries. These are factors which though no less real and capable of harm are at present beyond the range of Government cover and have become generally accepted as uncoverable risks normally associated with export trade. There are other risks however, which have come to be insured with the Government, but not in India, who undertakes to pay for the damage incurred in case of the risks materialising, without unnecessarily putting the trader to loss. The advantage is that with a Government guarantee the exporter unbothered by any of these risks, tries his utmost to push his export trade as far as possible.

The risks referred to are like the foreign customer becoming insolvent and thus reduced to a position of inability to pay when shipping documents are presented to him or to pay for goods delivered on credit terms when the due date arrives. There is also the possibility of war, internal revolutions and civil disturbances which are factors which an ordinary exporter cannot be expected to foresee and against which if they happen he is helpless. If none of this happens and if the buyer is perfectly solvent and is willing to pay there may arise exchange

restrictions in his country which may prevent him from transferring the necessary amount to India.

It is a sad commentary on Indian export trade organisation that such things as these far from being provided against by way of insurance are not even thought of. It is necessary to point out that for any policy of exports to be successful the omission of risk against unforeseen export losses constitutes a serious lacuna of no mean importance. It is high time for the authorities in India to devise proper methods in this connection and remove one of the hurdles in the way of large export trade.

As against this sorry state of affairs in India it would be of some interest to have a look as to how the British are faring. They have realised that merely to produce, important as it is, is not enough. The greater problem is to sell. And it is a tribute to their organisational skill, the addition to the time honoured methods of stimulated exports they always try to move on new tracks. One of the latter is the Export Credits Guarantee Department.

The Export Credit Guarantee Department was established as far back as 1926 to ensure the exporters against possible loss through unforeseen factors operating in the country to which they send their goods. Within more than two decades this department has registered a significant increase of about 360 per cent. in its operations. At the beginning of the war the figure for policies issued was £61 million per month. And by 1948-49 it increased to £280 million.

Though the department is run purely on commercial lines it is not a profit making organisation. The premiums charged are low "providing an income sufficient only to cover expenses and the low cost of claims, with a reserve to meet special contingencies."

The organisation is on decentralised lines, and with a view to securing as much contact as possible with the British exporters the organis-

ation has its branches at such scattered places like Bristol, Manchester, Bradford, Birmingham, Sheffield, Glasgow and Belfast. The Headquarters are in London. Decentralisation does not however mean loss of efficient and quick despatch of business. The E.C.G.D. aims at further expansion and proposes to open many more centres "so that facilities for existing policy holders to contact the department quickly could be made available and new business undertaken."

Since the closing of the sellers' market and the beginning of the buyers' British traders, especially new ones, have been experiencing difficulty in getting payments from foreign customers. In some cases they are confronted with the insolvency of the buyer. In addition there are other hazards like war, internal disturbances, and exchange restrictions. To help him in such cases as these the E.C.G.D. was started. In other ways also the policy holders benefit. For instance, they are supplied with reliable information about financial standing of overseas buyers. The department also helps in looking after bad or doubtful debts though the exporters are not entirely relieved of the duty of collecting their own debts abroad. Another advantage of the department's policy is that exporters seeking advances or discounting facilities from a banker will find it possible to get favourable terms if they hold an E.C.G.D. policy.

The procedure of applying for securing a policy is simple, and free of redtapism. Each application to the department is considered on its own merits and there are no hard and fast rules.

There are two types of policies —short-term and long-term. The former is for consumer goods and the latter for capital goods. There are again two principal forms of guarantee for the short-term type of business. The Contracts policy and the Shipment policy.

The Contracts policy covers an exporter from the time he makes his export contract to the time

he is paid for the goods. It thus covers pre-shipment risk whereas the Shipment policy affords cover only from the date of shipment.

Besides the Contracts policy and the Shipments policy, though they account for the greater proportion of the Department's short-term business other policies that enter into this group are External trade and Processing policies and the C.I.F. policy.

The risks cover a wide field of events outside the United Kingdom "such as the insolvency of the buyer; failure of the buyer to pay for delivered goods within 12 months of due date; exchange restrictions, or a shortage of exchange in the buyer's country preventing transfer of sterling to the United Kingdom; war between the buyer's country and the United Kingdom, war, hostilities, civil war, rebellion, revolution, etc., in the buyer's country: irrecoverable extra delivery charge occasioned by diversions of voyage, and any other cause of the loss outside the United Kingdom which is beyond the control of the exporter or the buyer. The policy covers also the risk of the cancellation or non-renewal of an export licence in the United Kingdom, or the imposition of restrictions on the export of goods not previously subject to licence. Policy holders are required

to take at least 10 or 15 per cent. of the risk according to the nature of the actual cause of the loss."

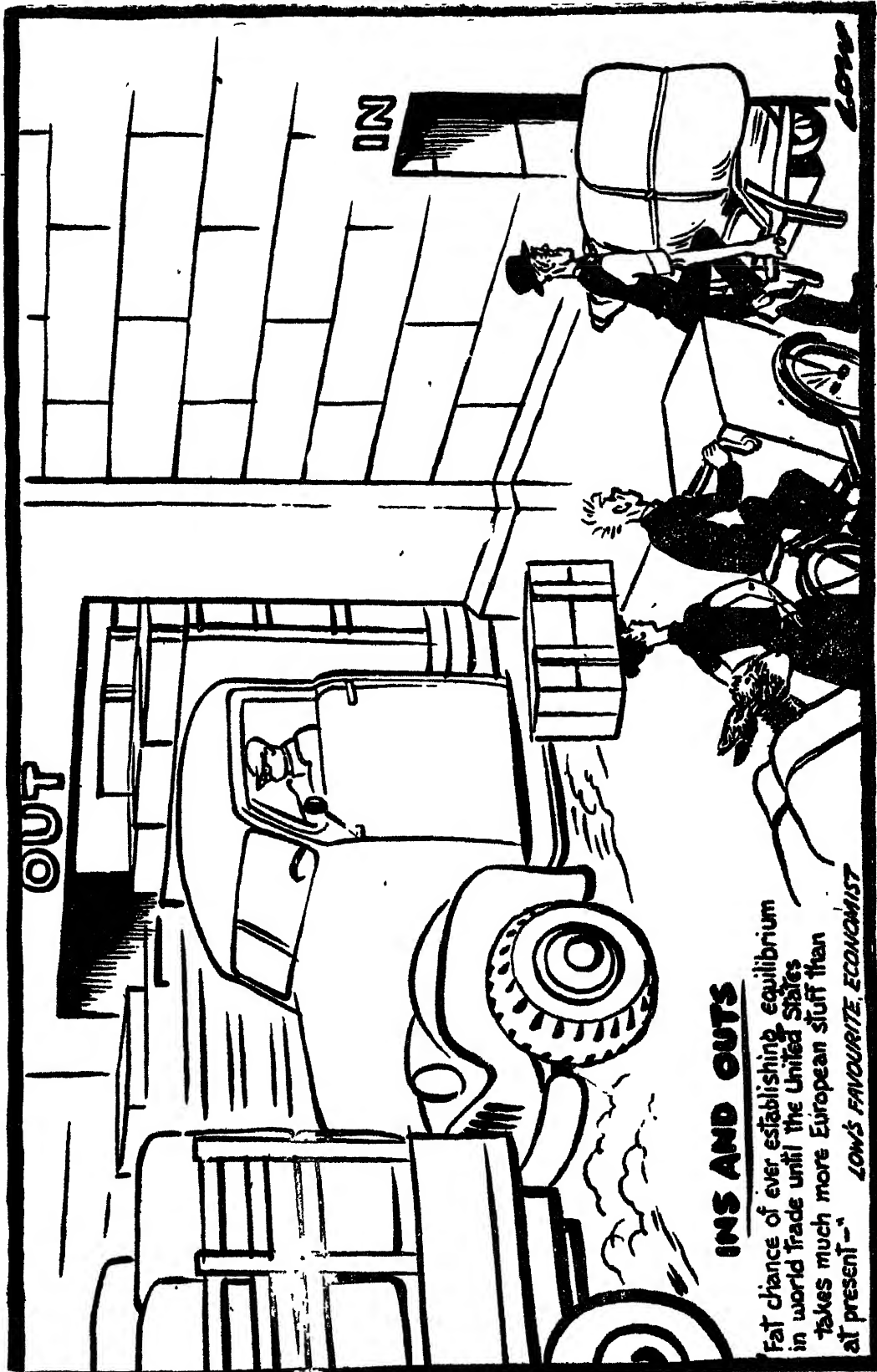
It does not cover marine risks and other hazards which are normally insurable through other agencies.

Rates of premium are assessed separately for each country and they vary according to rises and terms of payment. While the individual country rates may vary within a range of 5sh. to 40sh. per £100 of business the overall average would not probably be more and might be less than 15sh. per £100. Cover is given for contracts or orders booked and shipments made during the period of 12 months.

As regards medium-term contracts concerning capital goods there is no standard policy. The general basis of cover is the same as for consumer goods, but as conditions vary so much special policies are written for each separate transaction. Contracts where planned equipment, and heavy machinery are involved frequently present problems of finance and the Departmental guarantees have often been found of assistance in securing financial accommodation.

M. B. BALRAJ.

INS AND OUTS



DEVALUATIONS HAVING LITTLE EFFECT ON U.S. EXPORTS & IMPORTS

U.S. Commerce Department officials see little likelihood of either a sizable decline in U.S. exports or a great increase in imports in the coming six months as a result of currency devaluations elsewhere in the world.

Authorities cite two reasons why the export-import picture is not expected to change appreciably in the near future: limited ability of nations importing into the dollar area to sell goods there because of plant limitations and productivity factors, and the fact that there is no free market existing today.

Future trade possibilities will be determined by the status of controls in Europe, South America and other parts of the world, the experts say.

Commerce Department spokesmen point out that U.S. exports amount to about \$1,000 million and imports to approximately \$500 million each month. The exports are supported by the "underpinning" of recovery-program aid and will not vary greatly, they predicted.

They concur with the view of Paul G. Hoffman, U.S. Economic Co-operation Administrator, that imports into the United States will increase only if other nations turn out goods at prices which will be competitive with U.S. products.

LUXURY EXPORT ITEMS LIKELY TO BE AFFECTED

Automobiles and refrigerators—but not agricultural equipment—are the types of U.S. exports which authorities feel are most likely to be most affected by devaluation abroad.

There is not much likelihood of more oil coming into the United States, but U.S. textiles will probably find themselves in a highly competitive position, Commerce Department officials feel.

As for the tourist trade, they point out that the seasonal exodus of American travellers already is taxing shipping facilities and it is difficult to see how the volume can be increased much further. However, there is a possibility that off-season travel might be encouraged and developed.

Little change is anticipated in U.S. trade with Latin America, the officials say.

Labour

WELFARE AMENITIES AT KOTHAGUDIUM COLLIERIES

OUT of over 26,000 miners engaged at Kothagudium, Singareni, Bellampalli and Sasti coal mines, nearly 11,000 are at Kothagudium, which is the biggest coal mine in the State. The Government of Hyderabad (through Industrial Trust Fund, Hyderabad) because of its heavy financial stake amounting to nearly 90 per cent. shares of the Company, controls the affairs of the Singareni Collieries Company, which is at present working the Kothagudium, Singareni and Bellampalli mines.

The Labour Department, whose functions are directed to promoting the welfare of labour and to maintaining harmonious industrial relations, has posted a Senior Labour Welfare Officer of the rank of a Suba Labour Welfare Officer, to look after the welfare work at the Collieries. It is his function to see that the miners are not deprived of the amenities that are their due under the existing regulations. The technical aspect of the work is the concern of the Director of Mines.

The company, equally alive to the necessity of social advancement of the miners as a prerequisite for greater efficiency and production has recently reorganized its labour office, with a view to co-ordinating the work of various welfare amenities provided at Kothagudium and elsewhere. A Senior Labour Officer with ample experience of labour problems has been placed in charge of the office.

Coal Mines Labour Welfare Fund.—A Coal Mines Labour Welfare Fund, collected from the proceeds of a cess of eight annas per ton of coal despatched from the Collieries, has been established by Government to finance measures aimed at the improvement of the miner's lot. A Welfare Advisory Committee has been set up by Government with the Labour Minister as its Chairman to regulate the accumulated Fund and to recommend amenities to be financed by it. In 1957 F. alone the Advisory Committee sanctioned Rs. 1,27,700 (for Kothagudium) for

the construction and financing of measures like public baths, open-air swimming pools, public latrines, playgrounds, V.D., T.B., and Isolation Wards and medical aid or prevention of malaria.

Hospital.—The hospital at Kothagudium is outstanding in the welfare amenities provided to workers. It is stated to be one of the best hospitals existing at mining centres throughout India. The Company incurs an expenditure of Rs. 1,70,000 to provide the miners security against disease.

The hospital is an up-to-date one, equipped with modern appliances, including X-ray plant (or apparatus), Orthopedic table and an air-conditioned operation room. There are six wards in the hospital with 175 beds and a maternity section. In the 'rehabilitation hall,' which is a novel feature of this hospital, people who had suffered fractures are made to regain the smooth functioning of their parts with the help of walking, rowing and climbing apparatus. The orthopedic table facilitates the adjustment of parts in cases of dislocation.

The number of outpatients on a single day is 650 or nearly 20,000 a month. Nearly all the spinal fracture cases admitted for treatment were cured successfully and life was restored to the paralysed limbs of the patient.

It is now proposed to construct an altogether separate maternity hospital at a cost of Rs. 2,50,000. When this ambitious plan materializes, treatment will not only be given to expectant mothers but also to newly born babies. Further a grant of Rs. 22,000 for the construction of a new hospital for venereal diseases has been sanctioned and the work will start soon.

Houses.—Food, clothing and shelter are recognized to be the three basic needs of man. The company provides a house or hut to a worker free of rent. With regard to housing, a plan for the construction of 6,000 houses which was chalked out some years ago is being pursued and it is expected that it will be completed by 1951. As the number of miners is more than

the permanent and semi-permanent quarters existing at present, huts have been constructed to provide them with shelter.

The present water supply being inadequate the company has under consideration a scheme to provide more taps in each colony, and to improve the existing sanitary arrangements.

Canteen and Cheap Rations.—Tea and snacks are supplied to miners at cheap prices at the canteen, which is fairly popular among the workers. The daily sales at this canteen are over Rs. 150 though it works at fixed hours only. But the management, alive to the necessity of a cleaner, spacious and better canteen to cater to the needs and requirements of an ever-growing mining population, proposes to construct a new canteen fitted with an electric kitchen at a cost of nearly a lakh of rupees.

Rationed articles, namely, wheat, rice, etc., are supplied to the worker and his family at a subsidized rate of five seers of wheat or rice for a rupee. The quota fixed for a miner is 8 chataks a day and 12 chataks for an underground worker, whereas for any other adult it is only 6 chataks. Their other requirements of oil, chillies and tamarind are supplied at a rate which is 25 per cent. below the market rate.

Bonus and Provident Fund.—A total sum of Rs. 3,50,000 has been distributed as bonus to miners in the first and second quarters of 1949.

The company also provides a Provident Fund for the miners. One anna in a rupee from the basic wage of a worker is collected for this fund and the company pays an equal amount thus contributed.

Educational Facilities.—There are at present five Government and ten private schools where the miners' children along with others learn their alphabets through the medium of the local language, namely, Telugu. The opening of a high school, as well as primary schools, is under the active consideration of Educational authorities.

Technical Training Centre.—The company intends to mechanize all new pits which will be opened in future. To ensure a supply of local mechanics and drivers to handle the machines and to undertake mechanization in future, a training centre has been started where driving of shuttle cars and working of hydraulic drillers is being taught at present. This training centre will be expanded in future and it is also proposed to start a vocational training centre here. A mining expert from America whose services have been engaged by the company for mechanization is personally in charge of this centre.

Pit-head Baths and Resting Sheds.—At present no pit-head baths exist but the management proposes to construct up-to-date pit-head baths at all pits very soon.

Necessary grant has also been sanctioned for construction of suitable resting sheds.

Spinning and Weaving Centre.—A spinning and weaving centre has been organized on an experimental basis for a period of one year and is running under the supervision of Labour Welfare Officer, Mines. If it turns out any useful results, the scheme will be made permanent. A batch of 75 women are being taught yarn spinning and newar making, by a lady instructor. Charkhas have been provided and the required yarn is supplied by the Commerce and Industries Department. The women under training are paid Rs. 15 a month to make their training period sufficiently attractive.

After the training is over these women can purchase yarn and make goods at home which will be purchased by the Government to be disposed of later.

The object is to teach women some useful vocation so that they might earn something by working in their spare time also.

Recreational Facilities.—Enough leisure and recreation is as important to a worker as anything else. To cater to this requirement, parks and clubs have been constructed. One Welfare

Centre is already working under the supervision of the Labour Welfare Officer. In the mornin the welfare centre is open to children and men who play indoor and outdoor games provided there. In the afternoon the lady supervisor teaches women stitching, knitting, embroidery and other useful handicrafts. She also gives them useful information regarding cooking, maintenance of household, etc. In the evening boys and men play volley ball, basket ball, etc. A radio with a loudspeaker has been fitted and every day miners hear broadcasts from Delhi and Hyderabad.

Both indoor and outdoor games are very popular amongst the workers and a large number of them are always found playing.

Prohibition in Coal Mines.—The 'campaign against intoxication in coal mines area is being carried out since 1348 F. The number of liquor shops have been reduced to two from five which existed before and they are kept close for some days in the first week of every month during pay days. Closing of all liquor shops within a radius of five miles of the coal mines is under the active consideration of the Government.

Within six months after the Police Action, the Government appointed the three-man Jadhav Committee to study the problems relating to mine labour. It submitted its recommendations after a detailed and thorough inquiry on the spot. The recommendations are under the process of implementation and recently a committee on a tripartite basis was called to consider this aspect.

WELFARE WORK FOR WOMEN WORKERS IN HYDERABAD

The Labour Department, which is actively interested in the welfare of women and children employed in factories of the State, has appointed two Lady Labour Welfare Officers, one for Telangana and the other for Marathwada, to help in the enforcement of the Hyderabad Factories Regulation, the Maternity Benefit Act and the Employment of Children Act.

The Hyderabad Factories Regulation prohibits the employment of women and children during night, i.e., from 7 P.M. to 6 A.M. The Hyderabad Maternity Benefit Act provides seven week's leave to expecting women workers—three weeks before and four weeks after confinement. Annas eight per day are paid to these women during the period of leave as allowance. Under the Employment of Children Act, no child under the age of 12 can be employed by factory owners.

The Hyderabad Factories Regulation makes it compulsory for employers, engaging 50 or more women workers, to organize a Creche for babies, where they are given daily baths, clean clothes and free milk while their mothers are at work. The Azamjahi Mills, the Osmanshahi Mills, the Dewan Bahadur Ramgopal Mills, Hyderabad Spinning and Weaving Mills, Vazir Sultan Tobacco Company, the Taj Glass Works and a host of other concerns have provided such creches.

Schools have also been opened for the children of workers—three at Kothagudium and ten for the children of the Nizam's State Railway employees. The Sirpur Paper Mills, the Nizam Sugar Factory, the Azamjahi Mills, the Osmanshahi Mills, and a few other concerns have also provided schools for the benefit of their workers' children.

Three Welfare Centres were started by the Labour Department for Municipal women workers and their children. These have recently been handed over to the Municipality. Government are opening more of such Welfare Centres for workers and their families in all industrial centres of the State.

LABOUR

The importance attained by labour in recent years has focussed the attention of governments on the role that labour is playing in shaping the economic destinies of their respective countries. In Britain labour is struggling to preserve the Welfare State while in America labour has taken the offensive in making demands upon the industry, viz., that it should be made respon-

sible for social security. With this object in view strikes have been ordered in the Coal Mines and amongst the Steel Workers in the hope that the owners' contribution to the Miners Welfare Fund will increase in the first case and that the steel magnates would contribute 6 cents towards non-contributory pensions and 4 cents towards other forms of social security, in the second instance. This demand is the outcome of the realization that every increase in wages is more or less swallowed up by increased prices.

American labour is becoming increasingly conscious of its close identity with British labour and ever since Mr. Marshall's Harvard speech "American labour has been running a highly effective campaign"* to aid Britain and oppose all reactionary forces, even to the extent of popularizing British exports among American Trade Unionists.

This change is a very welcome surprise to Britain because even until a decade ago American Trade Unions considered Britain the home of imperialism and class distinction, but the labour struggle has broken down these walls of antipathy and a new alignment of political and economic forces based on common aims and ends is taking place which augurs well for the future welfare of labour in both countries.

The history of the labour movements in both countries from the creation of the Grand National Consolidated Union in 1834 in Britain and the founding of the American Federation of Labour in 1886, reveal that the desire of the workers to organize and present a consolidated front to the government was the same. The acts of 1906 and 1913 gave the labour movement in Britain the right to Political Organization. This New Unionism found an echo in America in the establishment of the A.F.L. and C.I.O. Under Roosevelt the C.I.O. received great impetus and in spite of the notorious Taft-Hartly Act, it has greatly influenced the elections.

The labour movements of other countries show the same tendency to co-ordinate the functional and political interests.

The question of labour involves wages, cost of living and hours of work. These are interdependent factors, and the amount of wages depends on the standard and cost of living of each country. In Britain the standard and cost of living are very high and consequently any reduction in wages is resented. The present devaluation of the pound sterling has to a certain extent stimulated production and lowered the costs of production, but whether it will result in greater efficiency of labour is doubtful. The talks and speculation regarding a rational minimum wage have led to many interesting discussions.

The reported "offer" of Sir Stafford Cripps of a minimum wage of £5 is based on the humanitarian belief that a certain minimum standard of living should be guaranteed to every one and no one should be expected to bring up a family on less than £5, but while keeping this laudable aim in view, the question as to whether this is the best way of achieving this end, and whether this is the best time for it, must be considered.

If there is full employment and wage rates have risen by as much as the cost of living, and average weekly earnings even more, in Britain, then the case for a national minimum wage is very weak. Considering the output, the wages are too high and at a time when the national crisis in production is threatening to affect British economy adversely, any move towards a national minimum wage would aggravate the position further. If the man in the street feels he is still in poverty, then a better method would be to amend the social services, rather than add the expenses of amending the situation to the costs of industry, which due to protection, are already high.

The *Economist* argues that a rational minimum wage would make a man's income independent of output. When the link between a man's work and earnings is snapped, the incentive to work also is weakened and consequently the public

* Statesman and Nation, Oct. 8th, 1949.

interest of the whole community is also affected. The task of providing for a national minimum standard of living belongs to the social services and if these are perfected the economy will work on smoother lines.

But the demand for wages in England is still persistently advocating its case and if their claims are granted in any way, then devaluation will have no effect. The National Union of Railwaymen, the Civil Service Clerical Association, even the British Medical Association and workers of the Nationalized industries are all demanding higher wages. Wages must be viewed firstly, in relation to the economic output of the labour, and secondly, distinction must be made between high wages and high labour costs.* But this of course, excludes genuine cases where labour deserves a rise in wages, though it is difficult to decide what hardships should be taken into account and what should not.

In many cases a change of workers from one industry to another will prove more useful.

Amongst some of the conventions discussed in the I.L.O. conference are the protection of workers' rights to organize and bargain collectively, the right of the workers of the world to get all the pay they are entitled to and in cash, and the creation of working conditions to conform to certain defined standards.

The labour conditions in India are far from satisfactory when compared to conditions in other countries, especially Britain and America and Czechoslovakia.

If labour in other countries is powerful, it is at least well-organised and disciplined and has an intelligent understanding of the problems facing the country. Whereas in India, labour is just awakening to its responsibilities. It is, therefore, more vociferous and tends to be irresponsible unless carefully guided. In years of national crisis labour in Britain does not resort to coercive tactics to gain its ends whereas in India today

in spite of grave economic difficulties strikes and threats of non-co-operation are common features of our national economic life. The plea no doubt may be that while working class weekly wages in Britain are about Rs. 76-88,† industrial workers in India do not get anything more than Rs. 30 per month except in some industries. Welfare expenditure and subsidies aid the British worker a great deal. The benefits received from the employees are little compared to those received from public sources. The rent control and subsidies keep the rent of workers' houses only between 33 per cent. to $\frac{1}{2}$, the true economic rate. Food and social insurance are heavily subsidized. Children's education and medical services are free and 5sh. allowances are given to mothers for every child after the first. In this respect India has a great leeway to make up. The various committees set up by the government with regard to fair wages, profit sharing, etc., have recommended various proposals which the government is attempting to implement as early as possible.

The labour conditions, for example in the silk industry reveal two factors, *viz.*, that there is no general tendency in the industry to link up the dearness allowance with the cost of living indices and secondly, that no work committees have been established. With the exception of Madras there are few full-time labour officers in the other centres.

The wages of the workers range from Rs. 44 to 88 in Bombay. In Kashmir the average wage is Rs. 30 per month, while in West Bengal the average is about Rs. 65. The dearness allowance in Madras for workers in the silk industry is Rs. 16 per month. In Kashmir dearness allowance amounts to 75 per cent. of the basic wages, while in Bengal it is 15 to 20 per cent. of the wages. In Mysore the lowest paid employees get Rs. 12 to 15, allowance. In Madras and West Bengal the workers are employed mostly in a temporary capacity. Only Mysore engages the workers on a permanent basis.

* The Economist, Sept. 24th, 1949.

† Financial Times, December, 1948.

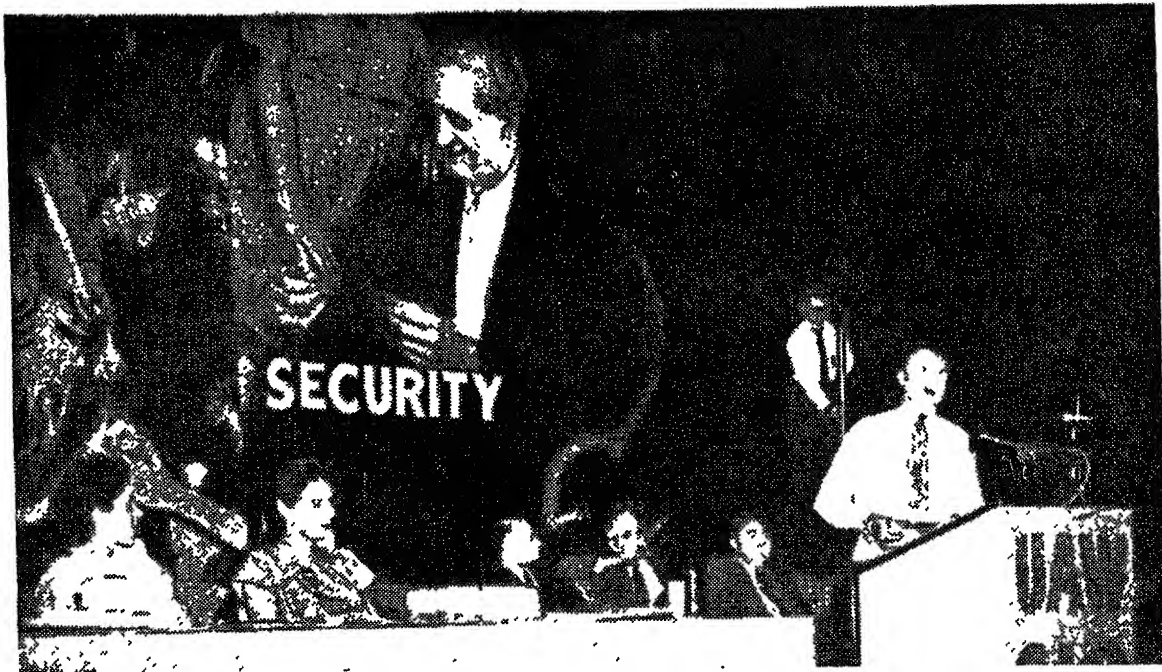
One fact however that must be borne in mind is that wages amongst the lower classes have risen much higher than at any time before. The cost of living has also shown an upward trend no doubt, but compared to our national output any further rise in wages is likely to prove a severe strain on the economy of our country. At the same time labour trouble can be reduced

only by a reduction in prices and increase in production.

MISS JAYA MUTYALA.

THE PRESSING PROBLEM OF OLD-AGE SECURITY IN U. S. A.

AN ANALYSIS OF FOUR PRESENT APPROACHES TO A SOLUTION THAT SO FAR HAS EVADED US



The New York Times Magazine.

“\$100 per month for life”—President Walter Reuther, addresses the United Auto-Workers National Convention, which favoured employer-financed monthly pensions.

Less than half of the men and less than one out of ten of the women of sixty-five years of age or over in the United States are at work. A man of sixty-five years of age may expect to live on the average about twelve years longer; a woman nearly fourteen years. How are people going to support themselves for twelve or fourteen years without working? An annuity paying \$100 a month for life, if purchased at the age of 65, would cost more than \$15,000. If it also provided a payment of £75 a month to a wife who survived her husband and who was about the same age as the husband, it would cost several thousand dollars more. Few persons who reach

the age of 65 have savings of £15,000 or more. Consequently, the voluntary savings of individuals can meet only a small part of the need. How retired workers shall be supported is plainly one of the biggest economic problems in the United States.

What should be done about the problem of security in old age? Is the problem being made unnecessarily large and difficult by unwise retirement policies on the part of business? How good are the four principal ways through which the country is now attempting to meet the problem—employer-initiated pension plans, union

-negotiated plans, the Federal old-age assistance plan, and the Federal old-age pension plan? Do these plans need to be supplemented or superseded by new arrangements? In particular, how good are the pension plans that have been negotiated by trade unions? The fact-finding board in the steel case said that so long as the Government fails to provide security in "an adequate amount, industry should take up the slack." Is this reasonable? Are union-negotiated plans a good way of meeting the problem of old-age security?

The House of Representatives has just passed a bill extending the Federal old-age pension plan to at least 6 million more persons and raising the monthly benefits by roughly 70 per cent. How far would these changes go in meeting the problem of old-age security?

The seriousness of the problem of old age security is greatly aggravated by the unwise retirement policies of business. Few people retire voluntarily—most retirements occur against the will of the worker at the decision of the employer. The community obviously would be better off if the older persons who were willing to work had jobs and were producing goods. Furthermore, most persons would be happier at work than they are in retirement. Special reasons for early retirement exist, it is true, in the case of executives, technicians and professional people, who hold jobs that require imagination, originality and resourcefulness. These jobs are best held by relatively young men.

For the great majority of jobs, however, the age of 65 is too early for retirement. Hence, the growing practice of retiring all persons at the age of 65 should be decisively halted. Had the rule of retirement of 65 been generally in effect in August, 1949, 8 million fewer people would have been at work in the United States and the annual output of the economy would have been nearly \$11 billion less—except to the extent that the dropping of older workers might have raised the efficiency of younger workers.

Although a higher age of retirement would diminish the size of the problem of old-age security, it would not eliminate the problem. Even at the age of 70 the average male may expect to live nine years longer. An annuity of \$100 a month for life at the age of 70 would cost him an excess of \$ 18,000—certainly more than the average worker of 70 would have. Let us look, therefore, at the four principal ways which are now used to provide retired workers with incomes and let us see whether any of them offers a solution for the problem.

1. EMPLOYER-INITIATED PLANS

These plans have been growing by leaps and bounds—from fewer than 200 in 1915 to more than 400 in 1929 and more than 9,000 today. In the last ten years their growth has been greatly stimulated by the tax laws. More than three-fifths of the employer-initiated plans are non-contributory. Most of the plans were started in order to permit firms to make some overdue retirements. Under the circumstances, managements were hardly able to ask employees to contribute.

Pension plans initiated by private employers have four major deficiencies, and they are clearly not the answer to the problem of old-age security—though they may do much good in the plants where they operate. A primary major deficiency for employer-initiated pension plans is that they will never give adequate coverage. One reason for this is that they do not apply to self-employed persons, of whom there are about 11 million in the United States. They need a source of income after retirement no less than do employees.

Employer-initiated pension plans also fail to give adequate coverage because they are expensive. Hence, only the more prosperous companies will adopt them. Even in the highly prosperous year of 1945, more than one-fourth of all corporations were "in the red." Pensions, depending upon their size, are likely to cost at least 6 to 8 per cent. of pay rolls. This does not include the special cost of meeting the large accrued liability with which most pension plans

start. This special cost is a result of the fact that the plans apply to employees who have worked for the employer for many years and who will soon have reached the age of retirement. No payments have been made before the initiation of the scheme to buy pensions for these employees.

Finally, the employer-initiated plans will not give adequate coverage because they are limited to certain types of employees—usually long-service employees. The present 9,000 employer-initiated plans cover a little more than one-third of the employees of the firms which have the plans.

A second major shortcoming of employer-initiated pension schemes is that they may be abandoned at the will of the employer, leaving the employee without protection. Of 418 plans in existence in 1929, forty-five had been abandoned by 1932.

A third major defect of most employer-initiated pension schemes is that they restrict the movement of workers—a man who leaves one employer to work for another does not ordinarily carry his pension rights with him.

A fourth major defect is the handicap they put on older workers in finding employment. This deficiency is a result of the third one namely, that employees do not carry their pension rights from one employer to another. Even twenty years' contributions on behalf of a worker will not buy him a very adequate pension unless these contributions are at a high rate. Consequently, a man who is hired at the age of 55 and retired at the age of 65 or 68 would receive a very small pension. Managements do not care to undermine the morale of their workers by giving substandard pensions to employees who are retired, and they avoid this difficulty simply by not taking workers of more than about 45 years of age except for temporary jobs

2. UNION-NEGOTIATED PLANS

Pension plans negotiated by unions with

employers may be less easily abandoned than an employer-initiated plan and they may cover a larger proportion of the employees, but they suffer from the same four major defects as do employer-initiated plans. Consequently, it was a blunder for the fact-finding board in the steel dispute to recommend union-negotiated plans for the various steel companies.

Union-negotiated plans will never give adequate coverage, partly because they do not apply to the self-employed and partly because they can be instituted only in those plants where the employer is making enough money so that he can grant the union demand for pensions, meet the large accrued liability, and hold his own in competition. No matter how strong the union, it cannot impose an adequate pension plan on those employers who are financially weak. The limitation of coverage is especially great when the cost of pensions falls entirely on the employer. Consequently, if union-negotiated plans are established, the workers should contribute part of the cost.

The union-negotiated pension plans which have been established thus far do not, as a rule, permit an employee who leaves an enterprise to carry his pension rights with him to his next job, though some of the stronger unions may be able to correct this defect by negotiating changes in the plans. Union-negotiated pension plans, like employer-initiated plans, discourage employers from hiring older workers and thus handicap older workers in finding jobs.

A special drawback of many union-negotiated pension plans is their financial unsoundness. Many of these plans make no provision for meeting the huge accrued liability with which the plans start. In many cases the cost of the pensions in a decade or so will be so large that the unions will have to consent to a reduction in the pensions in order to gain wage increases. Consequently, the so-called "security" offered by many union-negotiated pension plans is illusory.

The pension fund in the coal industry is a

glaring example of an arrangement which provides illusory security because it is financially unsound. No adequate provision has been made to finance the enormous accrued liability with which the scheme started. Nor has the underwriting of the risks been arranged to assure that any part of the payments now being made into the fund will be available to provide pensions ten or twenty years hence for the men who are today counting on getting pension when they retire. An insurance company which attempted to operate as the miners' welfare fund is being operated would quickly be in trouble with the law.

3. OLD-AGE ASSISTANCE

The old-age assistance programme of the Federal Government is the largest single source of income to retired persons. About 2.6 million are drawing old-age assistance, and total old-age assistance payments are roughly twice as large as all of the pension payments made under the Federal old-age pension scheme. More than half of the money now disbursed for old-age assistance comes from the Federal Government, but administration is in the hands of the states.

The old-age assistance programme is open to two major objections. One is that it is demoralizing and the other is that it opens the door to grave political abuses. It is demoralizing for people to have to accept charity after a lifetime of work. And since the money comes from general revenues, recipients of aid do not have the satisfaction of knowing that they have made a specific contribution to help finance the payments which they receive.

The fact that payments are based upon a means test makes the plan difficult to administer. Need is difficult to define, and this creates the danger of political favouritism. The danger is aggravated by the fact that payments are made out of general revenue and that most of the states, which administer the scheme, are paying out more Federal money than state money.

During the last ten years the record of old-age

assistance strongly suggests that such a scheme cannot be satisfactorily administered. Although unemployment (which tends to be especially high among older persons) dropped from 9.5 million in 1939 to 2.1 million in 1948, payments for old-age assistance increased 2.7 times. There are wide differences between states in the proportion of persons receiving aid, and there are wide variations in average monthly payments even between adjoining states. In Louisiana no less than four out of five persons of 65 years of age or more are receiving old-age assistance—a sudden doubling of the number since June, 1948.

In Oklahoma and Georgia more than half, and in Texas, Colorado, Alabama and Mississippi nearly half of all persons 65 years of age or over are drawing old-age assistance, but in New York and New Jersey the proportion is only one out of ten.

Wide variation also occurs in the size of payments. In Louisiana the average monthly payment has more than doubled between June, 1948, and June, 1949, rising from \$22.87 to \$47.05. In the two adjoining states of Arkansas and Mississippi the average monthly payment in June, 1949 was \$20.95 and \$18.80 respectively. Monthly payments in Massachusetts were nearly twice as large as in Vermont and one-third again as large as in Rhode Island.

4. OLD-AGE INSURANCE

The most satisfactory arrangement for providing income for retired persons is the Federal old-age insurance plan. It avoids the principal weaknesses of the other three schemes. In the first place, it is comprehensive for it covers all jobs in all plants within the covered industries. It is not limited to the generous and prosperous employers or to the plants where unions are strong. In the second place, it gives enduring protection because it cannot be abrogated at the will of an employer, and employees do not lose their pension rights if their employer goes out of business. In the third place, since employees carry their pension rights with them, the plan

does not deter employers from hiring older workers.

In the fourth place, the burden on financially weak employers is limited by the fact that the plan applies alike to all competitors in an industry, by the fact that the accrued liability is met very gradually (as is possible only under a compulsory system), and by the fact that half of the cost falls on employees. In the fifth place, the self-respect of the workers is protected because pensions are given as a matter of right without a means test and are financed, not from general revenues, but from a payroll tax to which both employees and employers contribute equally. Finally, the fact that pensions are paid as a matter of right eliminates the chance for political favouritism.

Although the Federal old-age insurance scheme is basically sound, it has three serious defects—its coverage is inadequate, because the plan does not cover certain important types of workers, such as domestic servants, employees of non-profit institutions, farm employees and the self-employed. All in all, it covers about three out of five jobs. The eligibility requirements are too strict—it takes too long for workers to acquire insured status. As a result, only about one out of five persons of 65 years of age or more is drawing pension benefits or has insured status under the plan. The low benefit payments are indicated by the fact that the average payment for single workers is about \$26 a month and for a worker with one dependent, about \$40 a month.

The House of Representatives on October 5 passed a bill, H.R. 6,000, which would make substantial improvements in the old-age insurance scheme. The bill would extend the coverage of the act to include nearly one million out of three million domestic service employees, about 200,000 farm labourers, and about 4.5 million urban self-employed. It would extend partial protection, and possibly complete protection, to about 600,000 employees of non-profit institutions.

By voluntary agreement between state governments and the Federal government, about 8.8

million employees of state and local governments might be covered. The bill would liberalize the eligibility requirements so that newly covered employees would become insured more quickly. Finally, it would raise benefit payments about 70 per cent. to an average of between \$50 and \$60 a month.

The provisions of the bill just passed by the House though a long step in advance, fall short of the recommendations of the Advisory Council on Social Security appointed two years ago by the Finance Committee of the Senate. This body consisted of seventeen members—six businessmen, two representatives of organized labour, four persons from the public service, and five persons from university work and scientific research. The council was unanimous in recommending that coverage of the old-age and survivors' insurance be made virtually universal.

For example, the council would cover farmers and professional workers who would not be covered under the recommendations of the Ways and Means Committee. The council was also unanimous in recommending that eligibility requirements be changed so as to permit workers to qualify more promptly for pensions. The council also recommended increases in benefits which would raise the average benefit of a retired worker without dependents from \$26 a month to \$55 and of a worker with a wife from \$40 to \$85 a month.

The Federal old-age pension plan, if its coverage were extended to nearly all of the 25 million uncovered jobs and if the average benefits were substantially raised, would provide the country with an adequate plan of old-age security and would limit the dependence of the country upon unsound employer-initiated or union-negotiated plans which tend to tie the worker to one employer and which handicap older workers in obtaining employment.

A comprehensive and adequate old-age insurance plan is the only way of checking the rapidly snowballing old-age assistance payments.

The usefulness of the Federal old-age pension plan in relieving the community of dependence on unsound alternative arrangements will depend upon adequacy of benefit payments. Surely it is not unreasonable that the pension of a man with a wife to support should be at least half of his earnings before retirement. In the case of a man who had been earning \$800 a month throughout his working life, the recommendations of the Advisory Council would result in a monthly pension of \$106.87—a little more than one-third of his monthly earnings.

Although the Federal old-age pension plan can be easily developed to provide adequate protection to retired workers, some employers and some unions may wish to establish supplementary plans. The Federal Government, however, has an obligation to see that supplementary plans really provide the security which they promise, that they do not tie a worker to a given employer, and that they do not encourage employers to discriminate against older workers.

This can be done by requiring that the plans meet certain standards in order for employer contributions to be a deductible expense under the corporate income-tax law. These standards should require that the plan be properly underwritten and that the employees who leave the service of an employer take their pension rights with them. In addition, in order to avoid encouraging non-contributory plans in preference to contributory the Federal Government should permit the contributions of employees to pension plans to be a deductible expenditure under the personal income-tax—at least if the employee's contribution is matched by one from his employer.

Can the country afford an adequate scheme of security for old-age? With stiff wage demands constantly being made on industry, with large quantities of goods needed for national defence and to provide help to sixteen countries in Europe, can industry produce enough to give decent pensions to retired workers? And are not all schemes by which the community undertakes to provide security for retired workers wrong in principle? Are not such schemes

bound to undermine thrift, initiative, self-reliance, and the spirit of independence?

The cost of an old-age pension plan paying benefits moderately more liberal than those included in the bill recently passed by the House or recommended by the Advisory Council on Social Security may be put roughly at 8 per cent. of payrolls. In the past, output per man-hour in the United States has increased about 2 per cent. a year. If it continues to grow at the rate of 2 per cent. a year, it will increase by over 80 per cent. in the next thirty years.

Hence, the total cost of a fairly adequate old-age security programme would be about one-tenth the increase in production during the next generation—assuming that output per man-hour grows no faster than in the past. The one thing that must be avoided, in order to keep the cost of old-age security within moderate limits, is a further drop in the usual age of retirement. Universal retirement at 65, depriving the community of nearly \$11 billion of product a year, would be ten times as costly as the present old-age pension programme is today.

The danger that a system of old-age security will undermine thrift is remote. The usual method by which men have provided for their old age has never been thrift—it has been by having plenty of children and expecting the children to help the parents. Certainly pensions which pay 50 per cent. more or less than average earnings leave much room for thrift. Furthermore, no one need fear that the incentives to practise thrift are about to disappear—there are many good things which the ordinary person can acquire only by practising thrift quite rigorously. Any wage-earner who buys a house at present prices will have a good opportunity to be thrifty for years to come.

Nor is old-age security likely to undermine initiative, self-reliance and independence—it is likely to strengthen these qualities. The reason is obvious. The worker, small businessman or high executive who has a minimum of protection for his old age is likely to be willing to take some

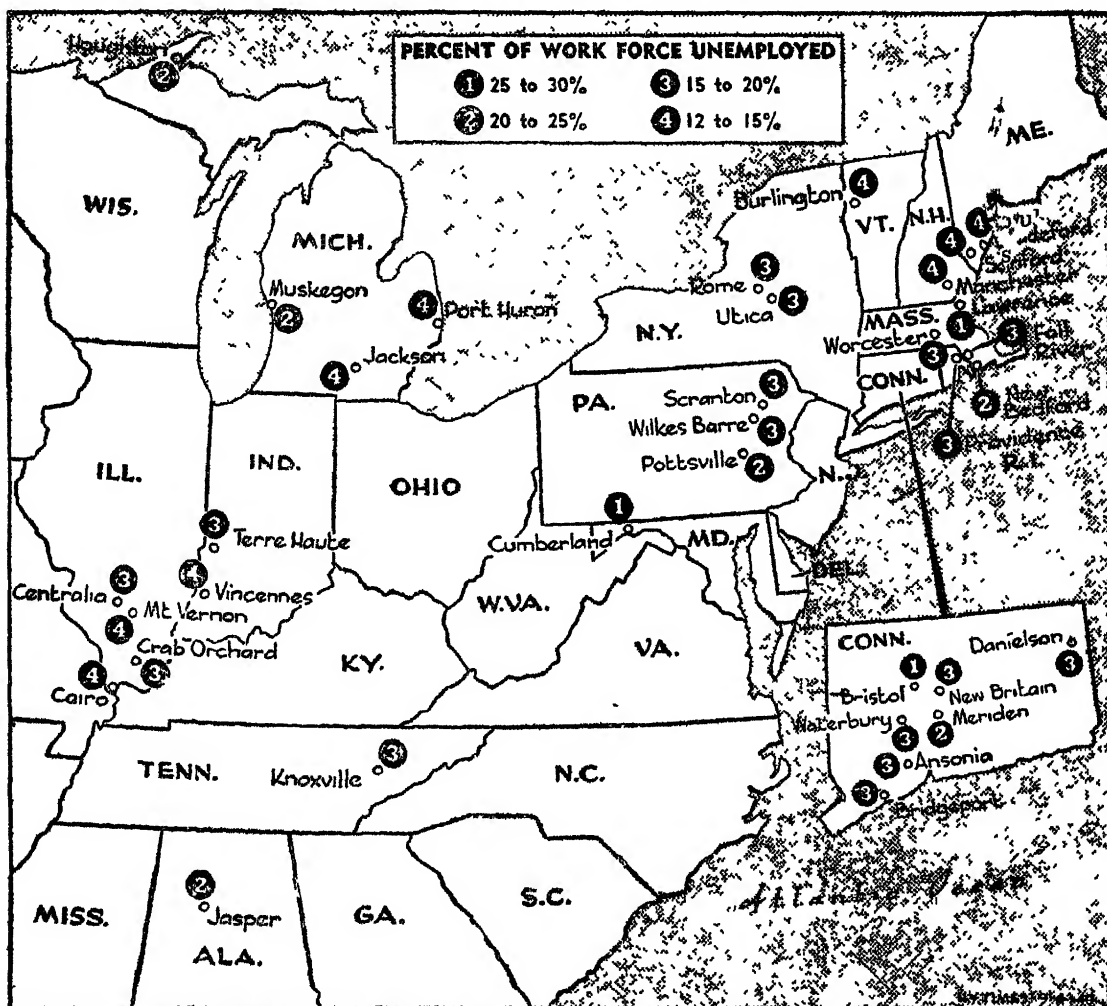
economic chances which he would not otherwise dare take. The extension of old-age security to small businessmen may be particularly useful in making them feel better able to take risks. Certainly if the prospect of a pension is likely to undermine initiative or self-reliance, this probability has been overlooked by the many corporations which have provided generous non-contributory pensions for their executives—the very men who most of all need to have initiative and self-reliance.

One final word of warning. The greatest danger to an adequate old-age security plan is rising prices. A rise of 2 per cent. a year in

prices would cut the purchasing power of pensions about 45 per cent. in thirty years. The greatest danger of rising prices is from wages rising faster than output per man-hour. If unions put up money wages 5 per cent. a year and output per man-hour increases 3 per cent. a year, prices will have to rise by the difference, or 2 per cent. a year. Hence, whether the nation succeeds in providing adequate security for retired workers depends in large measure upon the wage policies of trade unions. If unions push up wages faster than output increases, they undermine the security of all retired workers.

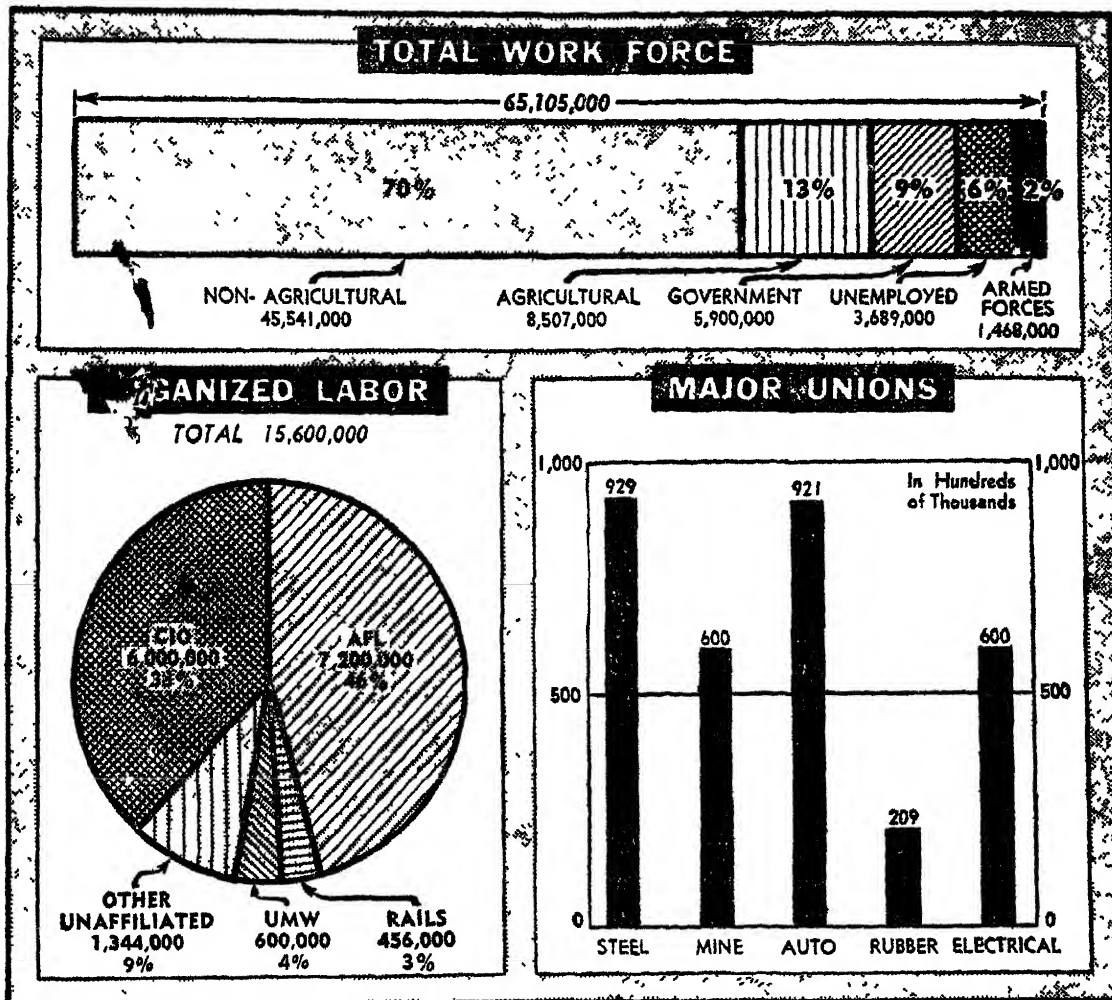
S. H. SLICHTER.

THE 'DISTRESSED AREAS' WHERE UNEMPLOYMENT IS ACUTE



The Government defines a 'distressed area' as one where over 12 per cent of the work force is unemployed.

A BREAKDOWN OF EMPLOYMENT IN THE NATION



The employment figures are from the Census Bureau of the Department of Commerce.

Transport

DEVELOPING INLAND WATER TRANSPORT

DELHI CONFERENCE DECISIONS

EVEN in these days of speedy air travel, the waterways of a country provide a cheap and efficient method of transport. In the U.K., in the Industrial Revolution days, the part played by canal communications in industrial development was considerable and, in the Netherlands, canals still form an important means of communication, accounting for the bulk of internal haulage. In the Indian Dominion too, the scope for its development would appear to be vast, notably in the north. The natural breadth, depth, and length of the perennial rivers, such as the Ganges and the Brahmaputra, together with their tributaries, in their entire courses are stated to provide a natural all-the-year-round inter-communicating transport route by river steamers in the provinces of U.P., West Bengal, Assam and Bihar. On the Ganges alone, a low level survey taken is stated to reveal that it may be possible to make the river navigable from Buxar to Allahabad and to maintain a depth of six feet, if the depths in 18 shoals are improved.

Physical feasibility, which is of fundamental importance, apart, economically too, the time is opportune for the provision of additional transport sources to supplement road, rail, and air services. With the growth of industrial development, especially, the need has been increasingly felt for developing inland water transport not merely as a means of relieving pressure on the railway system immediately, but also as a very necessary phase for the development of the country. The U. P. Government is stated to have in view certain large industrial undertakings such as paper manufacture, sugar, etc., which it is either itself undertaking or sponsoring, and has urged the organisation of waterborne goods traffic services

on the Ganges up to Allahabad and on some other routes, such as on the Gogra up to Bahramghat and on the Sone up to Chopan, to haul coal, timber, and other requirements of the above industries. Further, in the case of Bihar, the Partition has so seriously hit its inland waterways that the improvement of waterways in the U. P. and West Bengal—the neighbouring provinces on either side—is stated to be most welcome to it in that such would help the province considerably.

This subject of all-India importance, it is gratifying to find, has not altogether been neglected by the Central Government. "Inland waterways" is at present a Provincial subject and the Centre plays on the role of a co-ordinating authority in matters affecting more than one Province or more than one form of transport. However, the Centre acquired, as early as about 12 years ago, the Indian Waterways Experimental Station at Kadakvasla near Poona, which is one of the biggest stations of its kind, engaged in training rivers, irrigation and flood control methods, working out models, etc. Early this year, the Central Board of Transport was reported to have sanctioned Rs. 9.81 lakhs for the construction of models of a ship canal from Diamond Harbour to Kidderpore Dock, at the Poona Research Station. Further, it may also be recalled that the Damodar Valley Scheme also envisages the digging out of a canal for navigational purposes. An Inland Water Transport Conference was recently held in New Delhi consisting of the representatives of railways, joint steamer companies, the Government of the U. P. and Bihar and the Central Government. It was decided that a joint investigation by the railways, the joint steamer companies, and the Government of the U. P. be made into the development of water transport on the Ganges between Buxar and Allahabad, a distance of about 225 miles. The Conference further ap-

pointed a Special Committee to report on (1) constitution of an authority for administration and control of river services, (2) extension of water transport along new routes, and (3) co-ordination and elimination of wasteful competition between river services and other forms of transport, such as railways, road transport, and country craft.

INDIAN RAILWAYS

MR. SANTHANAM REVIEWS RECENT PROGRESS

An account of the overall position obtaining now on our railways, was given recently by the Hon'ble Mr. K. Santhanam, Minister of State for Railways and Transport, at Nagpur. The Minister said that, during the past one year, conditions in railways had been improving in such a manner that, so far as the business community was concerned, goods movements had become free in the major part of the railway system, and, further, as a result of such improvement, the priority system was being done away with section by section, wherever possible. He hoped that at the end of this year the railways, by the extension of abolition of such to other areas too, would be working wholly without the priority system. When the free movement of traffic is disclosed, the much-complained of corruption also was diminishing considerably.

The improvement witnessed in the two spheres noted above was also discernible in other spheres as well, according to Mr. Santhanam. He stated that, in order to improve amenities to passengers, the Government was trying to improve platforms, waiting rooms, station buildings and latrines. The Government, he went on, also contemplated running "Janata Express Trains" as a measure of relief to third class passengers between selected points, and had asked all General Managers of railways to take up this matter and introduce such trains when the power and coaching stock position permitted. The experiment, we are told, is now being tried on the Delhi-Patna and the Delhi-Amritsar sections. Further, emphasis was also stated

to have been laid on the affording of facilities to long-distance passengers on the main rail-routes of the country. Nevertheless, the introduction of more trains, the Minister averred, would have to await the arrival of more locomotives and metal coaches. While it is known that, for the former, the railways have taken a loan of \$ 34 million from the World Bank, as regards the latter, Mr. Santhanam stated that the Government was trying to erect two new coaching factories to turn out about 2,000 coaches a year.

Referring to the demand for more facilities and amenities, the Minister of State for Railways pointed that, in view of the present economic position, the Government could not carry out any large-scale units programme, such as building of new lines, electrification, etc. On the contrary, it had to economise and so the Minister asked trade and industry to suggest ways and means of running the railways more economically. He pointed out in this connection, that the railway freights had increased only between 10 and 50 per cent. while all goods and commodities had gone up in value by 300 to 400 per cent. and described it as ridiculous to ask for a reduction in such rates. He, however, conceded that, if prices fell and if the railways could be run more cheaply, the Government would certainly pass on a part of the savings to the public in the shape of better facilities or cheaper rates. He also appealed to the business community to help the railways by co-operating with them in taking quickly delivery of goods and not using wagons as their godowns.

The other points dealt with by the Minister were the implementation of the recommendations of the Railway Enquiry Committee, and the question of reclassification in railways. As regards the first, he stated that the Government had already disposed of a majority of the recommendations and that a statement on their implementation would be issued. On the latter, he stressed that the recommendation

of the Central Advisory Committee to revert to the four-tier system of accommodation would only be an interim arrangement pending the mass production of new type of "integral coaches" and that the long-term plan had not been considered by the Advisory Council.

FIRST YEAR DEFICIT ON STATE TRANSPORT IN BRITAIN

The first annual report and statement of accounts of the British Transport Commission, published recently as a White Paper, reveals that in 1948 there was a revenue deficit of £1,714,618 and an adverse balance, after adding capital redemption charges and special items, of £4,782,824. The Commission describes the position as unsatisfactory.

Commenting on the report in London, Sir Cyril Hurcomb, Chairman of the Commission, said that the position in 1949 was bound to show further deterioration. The trend of receipts had been unfavourable, and the Commission had to meet the full brunt of various increases in costs which operated for only a part of last year.

The report states that the revenue account for 1948 showed a net consolidated revenue of £45,200,000, and centralized expenditure totalled £46,900,000. To the resulting deficit of £1,700,000 for the year had to be added the special charges amounting to about £3 m.

Although in relation to turnover the deficit for 1948 represented only a small percentage of the gross traffic and other revenue receipts and in ordinary circumstances might not cause undue concern, the position was nevertheless unsatisfactory.

With fares, rates, and charges at the levels fixed by the Minister of Transport before nationalization, it was reasonable to expect that it would be possible during 1948 to earn sufficient to put on one side both a contribution towards enhanced replacement costs and an allocation to general reserve.

BUILDING A RESERVE

The additional sum required at mid-1948 prices to replace the wasting assets, on the extreme view that all of them would ultimately need replacement, would have been some £8,500,000 for the year 1948, over and above the charge for depreciation. It was essential that the Commission should make a beginning with building up the general reserve required by the Act.

The Commission was financed exclusively by fixed interest capital and that gave rise to a need for internal saving at a rapid rate in the early years if the vulnerability of the present situation was to be corrected. The Commission would have liked to be in a position to provide sums of £5m. per annum until a reasonable total for General Reserve had been built up.

Reviewing the progress towards the objectives of the Transport Act, the report states that integration must be a gradual process, and it was clear that charges policy would be the key to effective integration.

The Commission had to face great disparities between the level of rail fares and charges on the one hand and road fares and charges on the other, and yet had to create a national system of fares and charges which could be applied with reasonable relativity but with some degree of flexibility to all forms of transport. It could not be expected that the Commission would complete the task laid on it by Part V of the Act within the prescribed two years, and the Minister had been requested to extend the period.

The task was one of great urgency. The Charges Committees had made much progress with the formulation of the preliminary principles involved, and particularly with the drafting of common conditions of carriage and the common classification of goods which would simplify and reduce the 21 classes of the existing railway schemes. The Commission intended to take representative bodies of traders and customers into its confidence in order that the largest

measure of agreement on the principles involved might be reached before the submission of the schemes themselves to the Tribunal.

It was clear that with the existing volume of traffic the present levels of charges, notwithstanding increase on the railway, dock, and inland waterway sides which were authorized in 1947, were not such as would enable the Commission to comply at the present time with the requirement that revenue should be not less than sufficient for making provision for all costs properly chargeable to revenue. So long as the trends of traffic did not unmistakably declare themselves, and so long as unexpected increases in costs did not add too heavily to their burdens the Commission had been reluctant to avail itself of special powers for increase in existing railway or other charges.

A general increase in railway charges, indiscriminately applied, might not benefit railway traffic and revenues and would tend to increase the cost of production. "But it is not possible," continues the report, "that any undertaking which is to pay its way should submit to constant increases in the cost of the services and commodities which it needs and yet refrain indefinitely from raising its prices to its customers."

The Commission had a statutory duty to modernize and re-equip the railways, docks, inland waterways, and road services of inland transport in Great Britain wherever that was required in the national interest. It had inherited the responsibility at a time of economic stringency, when certain essential materials were still scarce, and when British Railways in particular had not yet recovered from the strain of war, enemy action, and maintenance arrears.

Though for the present emphasis must be placed on reconstruction and reconditioning, steps were being taken to formulate a long-term policy for future development. Detailed inquiries had been made about the standardization of rolling-stock, alternative forms of traction, and the further provision and improvement of

automatic train control, signalling, and other safety devices on the railways.

CAPITAL DEVELOPMENT

In the first year of its activities the Commission had not found it practicable to submit to the Minister the general lines on which the capital development of the whole of the undertaking should proceed. It would be premature to determine the framework of such a plan until further progress had been made with the acquisition of road goods transport under part III of the Act, and with the implementation of the schemes for the co-ordination of road passenger transport, to enable the problem to be viewed as a single whole.

The general level of investment for the railway which had been prescribed by the Government had been largely governed by the availability of steel. It had not proved possible within the limits laid down to restore the stock of passenger carriages and to construct the modern goods wagons which were the first requirements of the railways and without which much uneconomical expenditure on maintaining out of date rolling stock must be continued. A programme of capital investment for 1950 and tentative proposals for 1951-52 had been submitted to the Government.

WAGE AWARD COSTS

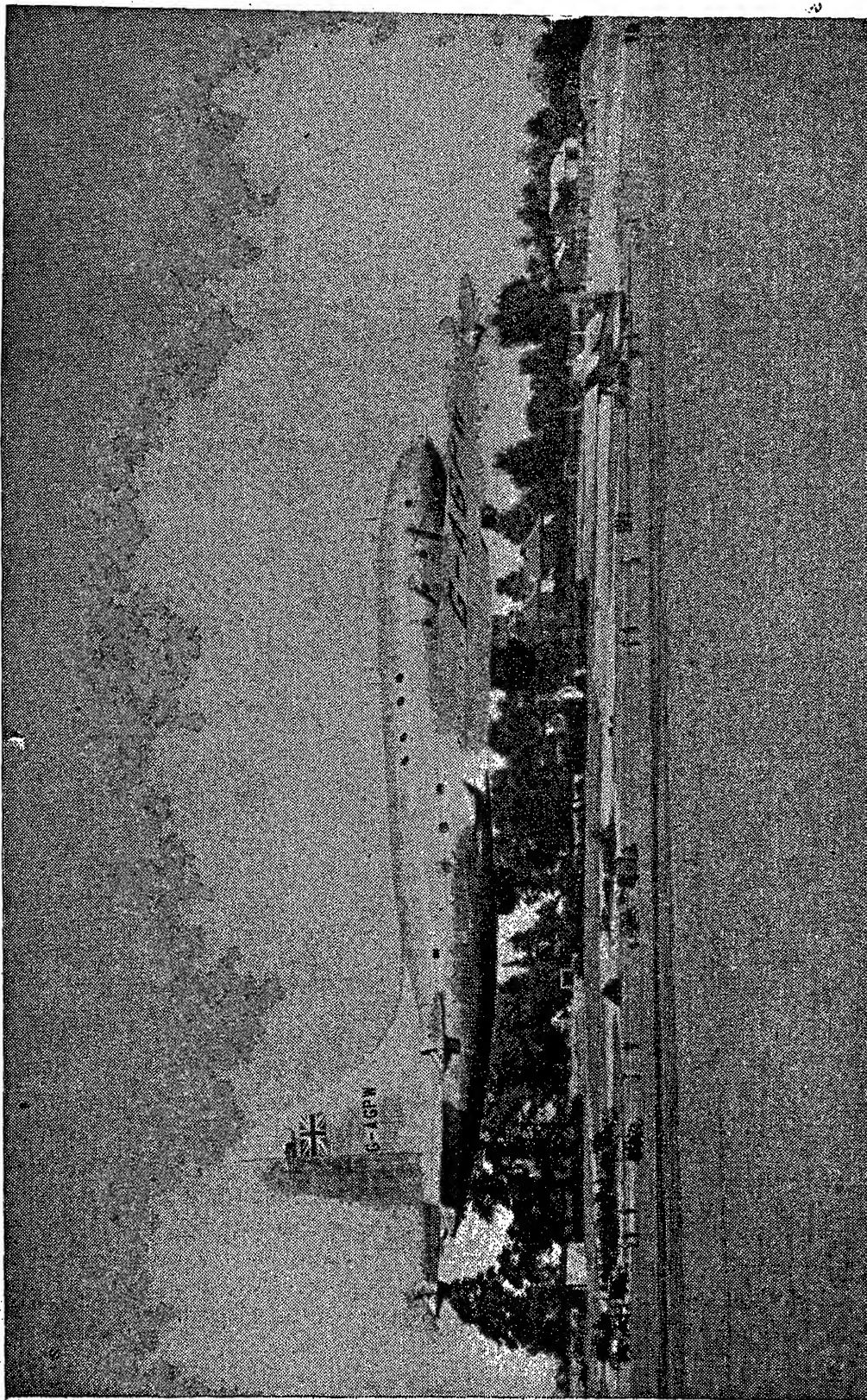
On the subject of higher wage costs, the report states that the important increase which took place in railway costs as a result of the main wages award in 1947 was being matched by a gradual process in the case of road transport. Between 60-70 per cent. of the Commission's expenditure was on man-power. The total cost in a full year, of the higher wages resulting from concessions negotiated or awarded during 1948 would amount to approximately £. 9 m.

The Commission had begun a study of comparative road and rail costs. The licensed vehicle duty on road passenger vehicles had not risen since before the war, and oil fuel had risen

by only 50 per cent. compared with a trebling of the cost of coal.

British Railway personnel now totalled about 650,000, and increase of about 100,000 over 1938. That was partly explained by the 44-hour week, increased holidays, and work on maintenance arrears. The volume of freight work done by the railways in 1948 measured in ton-miles increased by one-quarter over 1938, and the

freight train-miles run were only 3 per cent. higher. On the passenger side, although gross receipts were some £. 11m. less than was expected when the new scale of fares and charges was introduced in October, 1947, before nationalization, the railways were still carrying about a ninth more traffic than in 1938, reckoned in passenger miles, in spite of a 20 per cent. decrease in train mileage.



The World's Greatest Air-Liner, the 130-ton Bristol Brabazon I, takes to the air for her first flight—"A wonderful ride" of 27 minutes.

"A PROUD DAY FOR BRITISH CIVIL AVIATION":

The world's largest air-liner, the great Bristol *Brabazon I*, was first planned in 1943 and put into production late in 1945. The project, comprising two aircraft, the assembly hall and the special Filton runway, has been estimated to cost in all £12,000,000. On September 3 the *Brabazon I*, moved under her own power for the first time and did a series of taxing tests on the Filton runway. On September 4, it was expected that these tests would be continued and that Mr. A. J. Pegg, the pilot of the aircraft and the chief test pilot of the Bristol Aeroplane Company, might perhaps take the aircraft for a short "hop" on the runway. However, conditions were almost ideal, with excellent visibility, and Mr. Pegg took the aircraft off the ground during the very first run. It rose after a run of about 500 yards and continued on a straight course for a few minutes; the under-carriage was retracted and the great air-liner, gaining height, soared over the Lansdown hills. Later it turned towards the Bristol Channel, the rays of the sun catching it and making its wings sparkle with silver and gold against a background of blue sky and scattered white clouds. Turning again, it sailed over the Filton airfield at about 1800 ft. and swept out on another circuit over Gloucester before returning for perhaps the most important event, its first landing. It approached steadily at about 100 knots, touched down at approximately 80 knots and drew to a standstill in some 600 yards. It was in the air for twenty-seven minutes. It carried 4000 gallons of fuel and took off at a weight of 210,000 lbs. (nearly 94 tons—the full weight of the aircraft is 180 tons) and for most of its flight cruised at about 140 knots (over 161 m.p.h.) and reached an altitude of between 3500 and 4000 ft. More than half of the huge hull was occupied with 1000 automatic recording instruments, which will have collected an immense amount of information. After landing, Mr. Pegg said that it had been "a wonderful ride" and that everything went as well as they hoped. In a telegram of con-

gratulation, Mr. Strauss, Minister of Supply, wrote: "This is a proud day for British civil aviation; it confirms our faith in this great enterprise and is an inspiration to us all. The successful first flight foreshadows the time when Britain's civil aircraft will lead the world." The *Brabazon I* is 177 ft. long, with a wing-span of 230 ft. the tail fin being 50 ft. high. It has eight Bristol Centaurus XX engines, each developing over 2500 h.p.

From "THE ILLUSTRATED LONDON NEWS"

WORLD TRANSPORT

As time and space begin apparently to dwindle before the ever-increasing onslaught of science, the problems that arise due to it loom larger on the world horizon. The problems of transport are no longer of local or primitive importance. They play a vital part in the economy of the world. The Transport and Communications Commission of the U.N.O. has already had three sessions in which the various impediments to the improvement of world transport and the methods and suggestions for improvement were discussed.

Transport and communications are closely linked with each other. The tremendous destruction caused by World War II, the dislocation of transport, the loss of skilled man-power, and deliberate destruction of enemy transport material and the bombing of production centres, greatly aggravated the problems. The loss was pronounced in those areas which constituted the war zone, where deliberate destruction by the enemy accounted for the greatest amount of loss. The strain that was put on the entire transport organization during the war and the exhaustion of all spare materials also accounted for the grave situation that followed in the wake of the cessation of war. Naturally after liberation most countries found that the volume of freight carried to and from had diminished a great deal and their internal economics threatened to collapse if the means of transport were not improved immediately.

The burden of rehabilitation can easily be understood by the amount of destruction wrought to transport in some of the countries. The Research and Documentation section of the U.N.O. has calculated the damage done to transport during the war, as shown below:—

Country	Material	Percent- age of destruc- tion
Poland	.. Railway Lines	.. 80
	Locomotives	.. 42
	Major Bridges	.. 70
	Freight Trains	.. 98
	Passenger Cars	.. 92
Yugoslavia	.. Cars	.. 84
	Steel Bridges	.. 100
	Reinforced Concrete Bridges	.. 81
	Locomotives	.. 76
		Kilo- metres
Russia	.. Railway Lines	.. 65,000
	Bridges	.. 18,000
	Stations	.. 4,100
	Wagons	.. 428,000
	Locomotives	.. 15,800

Many other countries sustained losses as great and this loss was reflected in the almost complete paralysis of transport immediately after the war. The railways had to bear the heaviest loads. Passenger trains in the early months after the war were busy carrying to and fro refugees, prisoners and those actively engaged in war. The load on the railways was more than it could bear.

Transport rehabilitation was therefore one of the most urgent problems facing every post-war Government. Countries sufficiently advanced in technique and industry were amongst the first to recover like U.S.S.R., France, Czechoslovakia, etc., In fact recovery and progress

were fairly rapid in most European countries. The U.N.R.R.A. and the E.C.I.T.O. (European Central Inland Transport Organization), the E.C.O. (European Coal Organization) also aided the countries a great deal by supplying materials for repair, cars, trucks, locomotives, fuel, etc. The U.S., U.K. and Canada further encouraged rapid rehabilitation through loans or through the supply of material.

The task of the rehabilitation of transport was not confined to the countries directly involved in war. It affected even more the Asiatic and Far Eastern countries. The chief reason for this is the Asiatic countries are industrially very backward and have normally to depend for their supply of machinery on the Western countries. Naturally during and after the war all their supply was held up and the high prices made it difficult for them to purchase any new machinery. To this day this great handicap remains and the dollar shortage has added to the problem a great deal. For example transport in India is still one of the chief causes for the economic backwardness of the country.

This is in great contrast to the rapid rehabilitation of most European countries, except perhaps Poland, Yugoslavia and Albania where the damage was very heavy, and which were industrially too little advanced to cope with the problem and moreover, foreign aid was not forthcoming in sufficient measure.

World transport however consists of many other factors. The main problems are the co-ordination of inland transport, road and motor transport, the co-ordination of shipping, aviation, and telecommunications, the easing of frontier formalities to the maximum extent commensurate with national security and the removal of barriers against the international transport of goods. Brig. General Sir H. Osbourne Mance delivering his presidential address before the Institute of Transport characterized international relations in transport as being in the melting pot.

The handicaps from which transport suffer do not merely consist of economic difficulties

such as the dearth of technical personnel, the lack of material and the requisite purchasing power to procure it, but consist in a greater measure of the political and national factors that obstruct the free interplay of economic forces.

Uneconomic routes and services are established simply to ensure that they lie within the State and because they are important from the national viewpoint. More than ever the political tensions that exist between various countries are the greatest hindrances to the freedom of communications. State-owned railways are often used to subsidize national industries' shipping, etc., by "uneconomic railway rates, *i.e.*, rates which from the business viewpoint would be unjustifiable. As Sir Osbourne remarked "Such practices vitiate the custom-regime and disturb the application of commercial treaties besides standing in the way of real freedom of communications which is a general interest. They prevent the managements of transport undertakings from measuring their operating and commercial efficiency by financial results."

The discrimination that exists in favour of national means of transport, especially flag discrimination against foreign shipping through various ways as legislation, granting privileges, the lowering of export and import duties, the granting of concealed railway rebates, are measures that are directly in conflict with the development of world transport.

After World War II the violent currency fluctuations in European countries made it impossible for railway authorities to fix any through rates and fares and the railway budget was unstable for a long time.

The world organization is attempting to study the problem in its various aspects and as it presents itself in various countries. In Asia, the Far East, the Middle East and Latin America the problem is chiefly that of organizing efficient and quick transport rather than co-ordinating the various methods of modern transport. In Africa, the problem is still just

being studied and no definite and conclusive report has yet been made regarding the problems existing there.

Unless inland transport is properly co-ordinated first on a regional basis, co-ordination on a large scale is not possible. Moreover, co-ordination has to be viewed from the short-term as well as the long-term viewpoint. To this day, normal trade has not been resumed and the result is often that while many parts of the world starve, the areas where food is plentiful find it very difficult to preserve their surpluses because of want of proper facilities to export them. Even between urban and rural areas, exchange of commodities is not quick. The oft-changing political map of the world results in the constant shifting of production and consumption areas, and the shifting of transport centres makes the working of any long-term co-ordinated plan very difficult.

The post-war tendency in every country is to nationalize the means of transport. Railways all over the world (except U.S.A.) have been nationalized to the extent of 96.0 per cent.* The chief difficulties in the development of railway transport are the shortage of material and the increased railway fares. In fact, railway traffic in most countries has outgrown pre-war levels except perhaps in U.K. and Italy. This increase is due to railways doing much more of the work that was formerly done by other means. In most countries of Asia and the Far East, railway traffic is becoming more and more important, except in places like Indo-China and Indonesia where irregular warfare has been retarding railway traffic. In U.S.A. and Australia, however, railway traffic is on the decline, especially passenger traffic, chiefly due to the rapid development and popularity of aviation.

Maritime transport was organized from the very beginning on an international basis because basically, it could not be otherwise. The growth

* United Nations Transport and Communications Division Report.

of international trade has accelerated the pace. As early as 1897, an International Maritime Committee was set up and this along with the Maritime Law Committee established earlier, prepared a number of conventions to regulate maritime traffic. Most of the laws were for commercial purposes, though in recent years the world wars led to the adoption of wider laws which are not strictly commercial. The preparations for war included the co ordination of maritime facilities and this led to the adoption in 1923 of the convention on the International Regime of Maritime Ports by which the signatories pledged equality of treatment with their own vessels, to every ship of the other member countries entering their ports.

In 1945, the United Maritime Authority was established but was dissolved a year later and a Provisional Maritime Consultative Council was set up.

The task of the maritime organization is not merely the easing of navigation but the development of the technique of shipping, the safety of life at sea and the use of meteorology, hydrography and the radio and various other technical and scientific devices in the fullest manner possible. The seamen's lot is also the chief concern of the Organization.

The main factors on which the smooth working of maritime transport is based is the co-operation of the various Governments in observing a uniform code of regulations and practices, the absence of discrimination and restrictions and the free exchange of information.

Due to the war, shipbuilding in U.S.A. developed on a colossal scale as also in England and Canada and so, in spite of heavy losses the total tonnage increased. In 1947, the maritime traffic of the U.S.S.R. was 15 per cent. higher than in 1946 and the fourth five-year plan provides for an increase of 2.2 per cent. over the pre-war level, and also provides for the maintenance of a well-equipped fleet. The largest fleet to-day belongs to U.S.A., Britain's fleet is only half the size. Japan which during the

pre-war days was reckoned the third largest naval power occupies the twelfth place, while Germany's fleet in 1947 was 1/10th of what it was a decade before. The fleet of Italy and the commercial vessels of the Netherlands, France, Denmark, Belgium, Norway and Greece decreased considerably after the war.

India's merchant fleet in 1948 was about 300,000 tons (*i.e.*, twice the pre-war figure) and the Indian Government hopes to build about 2 million tons fleet in 7 years. The increasing interest in the construction of shipyards and the purchase of foreign vessels and the manufacture of ships in India itself and the consciousness of the need to protect our long coastal line, augurs a speedy development of India's maritime traffic.

But perhaps no means of transport has reached that stage of popularity as aviation. The U.S.A.'s record in this respect is unchallenged. Almost in all countries, aviation is making rapid strides. A comparison between the outstanding countries of Europe, America, Asia and the Far East shows the rapid development of civil air force.

[Statement

MONTHLY AVERAGES FOR CIVIL AIR LINES

Country	THOUSAND PASSENGER KILO- METRES			THOUSAND MAIL-TON KILOMETRES			THOUSAND CARGO-TON KILOMETRES		
	1945	1946	1947	1945	1946	1947	1945	1946	1947
U.K. ..	43,287	48,668	59,359	828	958	1,127	2,387	1,069	1,405
U.S.A. ..	5,11,725	9,45,311	10,61,229	8,502	5,005	5,913	4,513	8,263	13,417
Australia ..	20,051	33,276	60,088	419	426	372	171	366	947
India ..	2241.8	8189.7	18,618.4	23.4	53.2	67.9	34.5	53.1	152.9

Road transport more important than in former years is of great significance from the regional viewpoint. The International Convention on Road Traffic has its origins in the League of Nations. Transport between one country and another especially in the land-locked countries is subject to many difficulties. The League of Nations, therefore, set down a series of conventions especially for motor vehicles making international journeys. Prescribed international identification plates, specific qualifications for drivers, prescribed permits, uniform danger signals and strict observance of the traffic regulations pertaining to the country through which the vehicles pass were amongst the foremost.

The outbreak of the war interrupted further work and at present the International Labour Organization in consultation with the International Chamber of Commerce, the International Automobile Federation and the International Touring Alliance, is revising the 1926 convention and concentrating its attention on the adoption of uniform road signals, freedom of transit, customs and civil liability insurance, highway development and regulations regarding construction and use of vehicles for international transport of passengers and goods. It is also trying to establish economic and quick transit across frontiers, a problem which has become very delicate because of political tensions. Road development and construction, the elimination of level crossings, enforcement of safety regulations and compulsory insurance of motorists, are also among those receiving special attention.

Transport has thus come to be a major problem in world economic relations. Its function is now no longer a simple one of producing "new utilities of location," or removing the "disutilities imposed by distance," or of merely carrying commodities from points where their marginal utility is relatively low to where it is relatively high, or in other words extending the market. Transport has come to acquire a more complicated significance with the rise in the standard of living because it has resulted in specialization and all its attendant problems. The tendency to monopolize transport and reap profits out of it, again raises the questions: Does the efficiency of transport justify the costs? Are profits relevant to the quality of the services? To what extent do transport charges on food-stuffs and raw materials determine industrial costs and in view of this, is not nationalization of transport and State subsidization preferable to monopolistic control of transport?

But even when not merely the State, but an international authority began to study the management of transport, are there prospects of the desired ends being achieved, *viz.*, "to provide the consumer with a service at minimum cost through the elimination of technically inefficient methods and to ensure that services which are jointly demanded, or complementary to each other are supplied in harmony?" *The only answer at present is that, as in so many other spheres in this respect also, a great experiment towards co-ordination and harmony is going on.

MISS JAYA MUTYALA

* Economics of Transport, M. R. Bonavia.

Special Article

ECONOMIC POTENTIALITIES OF INDIA FOR LEADERSHIP IN ASIA

Since the issue of the Fifteen-Year Plan for the Economic Development of India by eight industrialists in 1944 (the Bombay Plan), the policy of rapid industrialization has been generally accepted. The Government Department of Planning and Development, originally under a member of the Viceroy's Executive Council, was followed by a Government pronouncement that it had "decided to take positive steps to encourage and promote the rapid industrialization of the country to the fullest possible extent."

The question of raising capital for the vast development projects proposed without obtaining it from abroad at the expense of foreign interference have had to be considered. The question is dealt with by P. C. Jain in the chapter on 'Money and Capital Markets,' in *Industrial Problems of India*.

Two facts appear to stand out clearly. In the first place it is positively wrong to assert that there is a paucity of investable funds in India, or that the Indian investor cannot be made industrially-minded. The past events amply support our contention. Secondly, much of the difficulty is due to the fact that the Indian investor has not enjoyed adequate facilities to accumulate his savings and the proper guidance to invest whatever savings he has been able to make. The problem now is two-fold: to increase the total sum of national savings and to encourage their investment in industry."

The author goes on to say that various suggestions have been made as to methods of encouraging the accumulation of small savings. These include (1) extension of the P. O. savings bank system; (2) opening of state-owned and controlled banks, with a branch in every town of 50,000 or more. (3) encouragement of insurance-

mindness. Assistance to the would-be investor will also be necessary if Indian capital is to lose its shyness.

Going on to deal with Foreign Capital, he says that foreign Capital invested in India is £. 800 to £. 1,200 millions, and only £. 150-200 millions of this is estimated as non-British. He continues :—

"There has been much misunderstanding and much sentimental talk about the function and status of foreign investment in India. Without going into complicated details it may here be stated that the only two conditions under which foreign capital is undesirable are (1) when we have to pay higher rates for it than for capital borrowed in our own country, and (2) when foreign capital necessarily involves undue interference with our economic and political system. It is wrong to encourage foreign capital investment in those projects in our country, which attract Indian capital at reasonable rates. We cannot allow Indian savings to be forced into idleness on account of foreign capital investment, but there is no reason why foreign capital should not be used to develop those schemes which do not commend themselves to Indian capital.

"The problem of separating foreign capital investment from political and economic interference though difficult is not impossible. Some definite methods, the choice in each case depending on relevant considerations, can be suggested to secure these ends. One suggestion is that it should be made compulsory that in India only rupee companies can operate. It is argued that this will give an equal chance to Indians to invest and later on to buy up the non-Indian interests in the open market; thus, with some safeguards control will be retained in Indian hands. In some cases this is a splendid suggestion but its wholesale adoption will surely discourage foreign investment in India. The real

thing in attracting foreign capital is the extent to which the foreign investor feels a sense of security.....Under an alternative method foreign interference can be avoided if the Government of India guarantees a minimum rate of return on foreign capital. This method, however, is not very successful partly because it might impose an undue strain and uncertainty on government finances and partly because the guaranteed rate of interest may have to be fixed at a higher level than conditions in our country would justify. Moreover, much equity capital without any type of interference is often necessary for doing spadework and it is expected to make up early losses, if any, by higher profits in subsequent years. This function cannot be assigned to guaranteed capital...The third method is to allow full freedom for the investment of foreign capital in our country, but to control the possible evil effects by separate devices. The possible evils of foreign capital investment can be that the accompanying interference may try to annihilate indigenous concerns by cut-throat competition, it may leave undeveloped those industries which are likely to compete with the foreigner's home-industries, due share of work may not be given to Indian labour, unduly high return on investment may be earned by misusing the Managing Agency rights. It is not difficult to control these possible evil effects by separate legislative action in each case as it arises."

Plans and agencies on reconstruction (of which there are many) appear to stress domestic problems, and increased production, but there is indication that even from the economic point of view (as distinct from political desirability) India may be prepared even to slow down her home development programme in the interests of exporting to Asia.

According to E. da Costa in *Indian Industry Today and Tomorrow* consumption has not been neglected. He says "At the earliest moment consumption needs must again become a prime determinant of the plan. The age of

shortage is a necessary feature of all large-scale planning, but the shortness of this age is a measure of its success. The phasing of the plan has been designed to make the hardships of this period more bearable, but this has only been accomplished by reducing the speed at which we are to reach our goal....

"The decision to hasten slowly has, however, solid ground for support. The great majority of our people are too near the desperate poverty line for us to ask or for them to give, any substantial fraction of their present consumption in order to hasten the goals of industrial production....The compromise reached which is to effect a relatively larger increase in our consumption goods industries before embarking on largescale schemes in basic industry is not only in the interests of the consumers; it is directed by the technical difficulties of production. It should, however, be possible to go considerably farther in this direction than the authors of the Bombay Plan. There is no reason why the capital invested in our consumption goods industries in the first stage of the plan should not be far greater than the 360 crores of rupees which they have proposed. If the necessary equipment is available we could proceed at once to enhance this figure and should thus help to assuage something of the bitter hardships which the desperate shortage of these goods is still causing not only at home but also in neighbouring lands rent savagely everywhere by the hounds of war.

"Victory in war has its obligations no less than its rewards. We cannot turn away from the problems of a distracted world merely because in happier times we have now set our hearts on a great plan of economic development for our own people. With the defeat of the Axis powers, we have risen in rank from the 8th to the 5th largest industrial nation of the world. This may mean little in terms of industrial efficiency but it does mean, particularly after the collapse of Japan, that we can readily expand our markets in the future and for the immediate present, that other nations near us ravaged by

war will look increasingly to us for help in their distress. The request of the people of Indonesia for textiles and of the people in China for almost everything cannot always fall on deaf ears. As an industrial nation, we cannot, unless we are prepared to be repaid one day in our own false coin, refuse to consider these appeals to which we are fittest to respond. The day may come when we shall need export markets to increase our own wealth and to provide additional employment for our own people. We should be statesmanlike enough to recognise that although we may have a shortage within, it is in our interests to help these nations whenever possible so that we now build up a bond of good-will which is the surest foundation for mutually profitable trade. Our targets for the next 15 years are largely domestic targets; if we cannot surpass these figures of production it may, again, for purposes of export, be necessary to curtail internal consumption. We should be willing to do this even for no promise of future gain; for we cannot now pursue a policy of complete economic isolation. We should not wish to do so even if such a course were politically feasible..... Generosity now will be our best investment...."

That India cannot fail to seek foreign markets and expand her export trade is stressed by the latest edition of a standard work—*Indian Economics* by Jathar and Bari. Dealing with inter-war Indian trade they say that the tendency was away from the Empire. In order to retain foreign markets for her exports she was bound to conclude bilateral agreements e.g., with Britain, Japan (1934) and Burma (1941).

They conclude, "If a long view is taken, it must be remembered that India cannot isolate herself from the world and retain her present importance as a commercial unit. She must seek an outlet for her surplus produce in world markets, and her ultimate prosperity is dependent on the general prosperity of the world trading community. Her true interest therefore lies in the restoration of the free and unrestricted flow of international trade on which world prosperity depends....."

"Great Britain, Burma and Japan are no doubt three of our most important customers and it is highly desirable that we should have trade agreements with them on as advantageous terms as we can secure. We must, however, as suggested in the Assembly's Resolution denouncing the Ottawa Agreement in March, 1936 cast our net wide and fully explore the possibilities of suitable bilateral agreements with other customers also, such as the United States of America, Turkey, Iran, Canada, Ireland, Australia, Ceylon, East Africa, Afghanistan, Egypt and with Germany, Italy and Japan, and endeavour to secure some relief from the various restrictions to which our exports to some of these countries have in recent years....been subjected."

Given this economic position, it seems that the political policy of aiming at leadership of Asia could be brought in line with India's economic needs. That this is a matter for the future is shown by the figures below—though of course conditions in most of Asia are not at present conducive to trade expansion.

PRINCIPAL EXPORTS FROM INDIA

(Value in Lakhs of Rs.)

	1948/9	1947/8
Jute yarns and manufactures .	146,81	127,82
Tea	68,69	54,90
Cotton yarns & manufactures .	39,85	20,52
Jute raw and waste ..	28,89	25,88
Cotton raw and waste ..	19,15	39,68
Hides and skins, tanned and dressed, or leather ..	12,69	14,48
Oils	11,34	12,30
Gums, resins and lac ..	9,46	9,84
Seeds	7,05	9,71
Other non-metallic mining and quarry products and the like ...	6,12	5,84
Fruits and vegetables ..	6,10	5,44
Other yarns and textile fabrics ..	5,74	97
Hides and skins raw ..	5,59	7,47
Spices	5,46	6,38
Total ..	415,53	395,81

Imports ranged from Machinery (Rupees 80,87 lakhs), Grain, Pulse and Flour (66,51), and Cotton, raw and waste (64, 23), by far the largest items through many manufactured goods to Fruits and Vegetables (5,81) and Wood and Timber (5,02).

Direction of Trade for Exports and Imports were as follows:—

COUNTRIES	(Values in lakhs of Rs.)	
<i>Commonwealth Exports</i>	1948/9	1947/8
U.K.	97,67	105,74
Pakistan (sea-borne only)	44,28	—
Australia	20,58	24,29
Ceylon	11,94	11,55
Canada	8,88	11,50
<i>Other</i>		
U.S.A.	70,03	79,18
Argentina	16,60	10,92
Burma	9,97	11,93
France	7,29	10,89
Netherlands	7,25	5,83
Egypt	6,70	5,48

Italy	6,47	5,03
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Commonwealth Imports

U.K.	152,13	120,24
Pakistan (sea-borne only)	22,87	..
Australia	20,93	8,68
Kenya Colony	10,80	9,33
Straits Settlements	8,28	6,37
Canada	7,91	9,00
Anglo-Egyptian Sudan	5,53	4,19

Other

U.S.A.	104,24	120,80
Egypt	31,89	20,41
Iran	20,09	22,47
Burma	18,77	11,18
Italy	18,23	7,40
Switzerland	8,66	9,34
Belgium	7,15	5,86
Argentina	6,60	74
Japan	6,87	6
Sweden	6,05	3,21

MRS. E.R. PLAIR CUNYNGHAME
From "ENCYCLOPÆDIA BRITANNICA"

News in Brief

RELIEF TO HYDERABAD PEASANTS IN JAGIR VILLAGES

With a view to bringing the rates of land assessment in jagir villages in conformity with the Diwani lands, Government are pleased to announce that the survey and settlement of 555 jagir villages situated in twelve different districts, will be taken up during the current year.

HYDERABAD AERO CLUB

The Government of Hyderabad, under the personal guidance and supervision of Major-General J. N. Chaudhuri, Military Governor, has recently reorganized the Hyderabad State Aero Club at Begumpet Aerodrome. The Club now maintains 12 aircraft. There are 40 flying members, and on an average the Club is recording approximately 400 hours of actual flying per month. This is a great opportunity for the young men of Hyderabad. The Club is also arranging joy rides at nominal cost. Arrangements are available for the training of Science graduates as Ground Engineers. There are at present eight Ground Engineer Apprentices under training.

SCIENTIFIC RESEARCH LABORATORY FOR HYDERABAD

GENERAL CHAUDHURI LAYS FOUNDATION STONE

Major-General J. N. Chaudhuri laid the foundation stone of the Central Laboratory for Scientific and Industrial Research. Hyderabad being particularly rich in raw materials especially vegetable oils, coal, various types of clay and a number of valuable minerals, it is considered best suited for establishing a laboratory for research work to tackle local scientific and industrial problems.

It is intended that organisationally the Central Laboratory should work in the closest collaboration with national research laboratories and thus contribute in a co-ordinated manner to the

regional and ultimately the national development of industries.

The Central Laboratory for Scientific and Industrial Research is expected not only to bridge the gulf between science and industry and society linking it with the technical and educational centres, but also to solve local and regional problems of technical nature.

Research work in the laboratory will be both of fundamental and applied nature along the lines of promotion of chemical industries, technical developments and utilisation of regional raw materials.

The buildings of the Central Laboratory for Scientific and Industrial Research will consist, among other things of a museum for the benefit of the industrialists and the public. The laboratory will be provided with modern fittings, internal telephone system and acid proof floors. It will have provision for essential services lines of vacuum, water gas, steam, compressed air, etc., on benches.

It is also proposed to build a colony of residential quarters for the research staff, technical and office personnel along with the necessary markets and social centres, etc.

RAPID EXTENSION OF PRIMARY EDUCATION IN HYDERABAD

In view of the urgent necessity for the rapid extension of primary education in the rural areas of the State, the Hyderabad Government has during the year 1358 F. (1948-49) opened 200 two-teacher schools and 600 one-teacher schools, spread over 14 districts of the State.

The Government is also considering the possibility of opening more schools in the State during 1359 F. (1949-50).

PLANT FOR PRODUCING GROUNDNUT OIL-CAKE IN HYDERABAD

The question of installing a pilot plant for the manufacture of groundnut oil-cake powder for

human consumption with a capacity of two tons per day is engaging the attention of the Hyderabad Government. The plant will cost Rs. 50,000.

Nutritional experts have come to the conclusion that de-oiled groundnut oil-cakes are rich in protein content. The flour thus produced could be used in the preparation of bread and chapathis mixed with wheat or jowar flour in equal quantities. These edibles are sweet to taste and they are easily digestible.

CONSERVATION OF FOODGRAINS

The Government of India has appointed a Committee, with Mr. L. K. Maitra as Chairman, to consider problems regarding arrangements for the transport, storage, and conservation of foodgrains, the quality of the grain issued to consumers, issue prices, and various incidental expenses.

CULTIVATION OF SUBSTITUTES FOR OILSEEDS

In view of the world shortage of fats and oils and the restrictions on increasing the area under oilseeds due to the food situation, the Indian Oilseeds Committee has recommended that necessary measures should be taken to preserve and encourage the cultivation of Neem, Mowha, Karanj, Pungai and the like and to fully utilise their seeds for the extraction of oils.

NATIONALISATION OF ELECTRICAL UNDERTAKINGS IN MADRAS

The Government of India has approved the Madras Government's scheme for nationalisation of all electrical undertakings in the Province. The Government of Madras has decided to take over five electricity distribution undertakings, including three European concerns, early next year.

PLASTICS FACTORY FOR MYSORE

Two years ago, an agreement had been entered between the Government of Mysore and a Madras plastics firm, by which the Government had contracted to construct a plastic

factory in Bangalore. Three plastic technicians have arrived to supervise the final installation of the factory which will begin operating shortly.

RURAL INDUSTRIALISATION IN MYSORE

The Government of Mysore has decided to implement the rural industrialisation scheme as envisaged by Sir M. Visvesvaraya. The scheme will first be introduced as an experimental measure in Bangalore and Kolar Districts at a cost of Rs. 2½ lakhs.

PRODUCTION OF D.D.T.

The Bihar Government propose to set up a factory for the production of D.D.T. and other connected products, with the assistance of two German experts.

INDUSTRIAL HEALTH RESEARCH LABORATORY FOR U. P.

An industrial Health Research Laboratory is proposed to be established by the U.P. Government at Cawnpore to carry out research in diseases prevalent amongst industrial workers.

U.P.'s RESEARCH INSTITUTE

The U. P. Government has decided to establish a Research Institute to foster the development of the nascent fruit preservation and canning industry in the Province.

Rs. 10-CRORE WATER WORKS PLANS IN MADHYA BHARAT

The Government of Madhya Bharat has prepared a Rs. 10-crore plan for opening water works in all the municipal towns of the Union. This year, the Government has earmarked Rs. 27.62 lakhs for the plan.

Rs. 50 CRORE HIRAKUD PROJECT

The work on the Rs. 50-crore Hirakud Project is proceeding according to schedule and is not likely to be affected by any serious cuts proposed under the new austerity measures of the Government of India. The work is expected to be completed by the end of 1954.

PAKISTAN RUPEE

The Pakistan Government has announced that its decision not to devalue the rupee in line with other sterling area currencies was taken to protect the interests of producers of exportable raw materials, to reduce the cost of living, and to maintain conditions favourable to the industrialization of the country.

The Prime Minister has announced that to

stimulate the flow of capital from internal and external sources required for investment, the Government has decided to form an Industries Promotion Corporation for the development of 27 specific industries, including those concerned with the production of jute and paper, fertilizers, steel, rubber, heavy chemicals, engineering and shipbuilding. The Dominion's minimum capital requirements over the next ten years were estimated by the Minister at Rs. 8,000 millions.

THE CHIEF BRITISH AND AMERICAN NEGOTIATORS WHO MET IN CRUCIAL TALKS AT WASHINGTON



Cripps, Sir Richard Stafford, 60, Native of London, barrister, Knighted 1930, Minister of Economic Affairs and Chancellor of the Exchequer since 1947.

Bevin Ernest, 69, Native of Somersetshire, former drayman and union leader, Minister of Labour and National Service 1940-45, Foreign Secretary since 1945.



Acheson, Dean Gooderham, 56, Native of Connecticut, corporation layer and diplomat, Under Secretary of State 1945-47, Secretary of State since January.

Snyder, John Wesley, 54, Native of Arkansas St. Louis banker, Director of War Mobilization and Reconversion 1945-46, Secretary of the treasury since 1946.

"CUSTOMS CONFERENCE"

British, Canadian, and the United States officials, and trade experts began, on 31st October last, a "Customs Conference" in Washington to remove barrier on the sale of British and Canadian goods in the U.S.

NATIONALISATION IN CANADA

The Canadian Government plan to nationalise all their external communication systems, at a cost of 4,500,000, dollars.

THAILAND TO BUY GOLD BARS

Thailand has arranged to buy gold bars worth \$20 million from the U.S. Federal Reserve Bank at the U.S. Treasury rate of \$35 an ounce. The gold is to be deposited with the Bank as currency reserve.

AIR PASSENGERS

In a survey of international passengers, Trans-World Air Line found that a quarter of those flying overseas had incomes over \$10,000 a year. This was the largest single income group represented by the international passengers.

GEORGE BERNARD SHAW

There is no form of prayer that would satisfy Catholic, Protestant, Quaker, Jain, Moslem, Buddhist, Brahman, Agnostic, Atheist Rationalist, Creative Evolutionist, Determinist etc., or that would not intensely annoy some of them.

Meditation should occupy many years to qualify for membership of the Assembly. A silence under such a pretext would be supremely ridiculous.

The watchword should be Get to Business.

I HOPE HE DROWNS



Page in The Louisville Courier-Journal

THEY ARE SAYING

LORD BRUCE, CHAIRMAN OF FINANCE
CORPORATION FOR INDUSTRY

When I was Prime Minister of Australia, twenty years ago, I was faced with precisely the same position that faces the Government of Britain today. The economic depression of 1930 surprised the country when it had built up social services to a high level. It became clear that Government expenditure had to be cut, and that welfare expenditure could not be exempted. Parliament and electorate revolted against the attempt and threw out the Government. A Labour Government was returned and within twelve months it had carried out a drastic reduction in expenditure, including an over-all cut of 20 per cent. in the social services—
London, July 21.

THE RT. HON. ERNEST BEVIN, M. P.,
FOREIGN SECRETARY

The United States is as much a welfare state as

we are.....She has unemployment insurance just three times what we pay to our unemployedOne of our troubles in the balance of payments today is the fact that the United States, in carrying out its welfare policy, has given basic prices to agriculture. I think that is right; but, on our side, we have not yet worked out the basic prices for raw materials.—House of Commons, July 18.

THE PRESIDENT THINKS THIS CARTOON HAS THE RIGHT IDEA



The New York Times.

DR. JOHN R. RAEBURN, AGRICULTURAL
ECONOMICS RESEARCH INSTITUTE, OXFORD

In the wider future we may well find that our best hope of achieving greater stability lies in trying to steady the whole complex of demand factors rather than in attempts to fix individual commodity prices. History certainly suggests that such "buffering" of the prices of major commodities as we may be able to provide will be of little consequence as compared to the great up and down movements of the general level of effective demand and the general price level.

'NO BUSINESS SLUMP HERE'



Long in The Minneapolis Tribune

MR. PAUL BAREAU:—

When the possible versions of the European Payments Scheme were being debated in Paris some months ago, the discussions became so technically abstruse that the reports and telegrams that were being sent back to London by the British delegation ceased to be comprehensible to anybody in the Government service here. Someone had in fact, to be detached from the team in Paris, and sent back to London in order to make it possible for the correspondence between the two capitals to proceed—.B.B.C. Broadcast, July 8.

MR. B. BJORNER, MEMBER OF DANISH PARLIAMENT

The decades of trade restrictions and bilateral trade agreements have fostered an army of "writing-desk" economists in every country who have had the time of their lives working out their five-year plans. These programmes present a new record of planned writing-desk economy. Though many a kind word is said about the desirability of attaining free international trade

you find little or no understanding of the fact that only by the simple method of free competition will the development of really sound enterprise take place!—Swanwick, August 15.

'THE MOUNTAIN'

Justus in The Minneapolis Star

Review

COTTAGE INDUSTRIES AND THEIR ROLE IN NATIONAL ECONOMY: By Mr. R. V. Rao, M. A., B. T., Ph. D., Lecturer, Nizam College, Osmania University. Third Revised and Enlarged Edition, January, 1949, pages 98, Price Re. 1-8-0. Vora & Co., Publishers Ltd., 3, Round Building, Bombay.

In this elementary treatise on cottage industries, it is unfortunate that there should be so many errors in spelling, grammar and punctuation even in its third revised and enlarged edition. It looks as though these errors are not due to what is generally known as "Printer's Devil," because, some of the errors, specially in punctuation, occur with such clock-like regularity interspersed almost in every chapter that one is forced to the conclusion that the author has his own methods of punctuation against the usual canons of grammar. For instance, there is a comma erroneously inserted in many sentences preceding the predicate. To quote a few :

1. Punctuation :

(i) The place of cottage industries in our national economy, has been (page 1).

(ii) The philosophy of the village industries, has been..... (page 1).

(iii) Dr. Bowley, and Prof. Robertson, suggest,..... (page 18).

2. Grammar :

(i) The freedom announced by the Atlantic Charter *are*..... (page 56).

(ii) *One* of the important *factor*..... (page 88).

(iii) The raw materials needed *is* extremely (page 89).

3. Vague statements that do not convey any meaning at all :

(i) Industry and trade alone cannot contribute usefully towards the solution of our poverty and economic background. (page 10).

(ii) The Western nations have now shaken off their sloth to run the mad race for commercial aggrandisement. (page 23).

Even in newspapers the errors noted above will be treated as serious errors in punctuation and grammar. Coming as they do from a person who calls himself a Head of the Department of Economics and Teacher in Post-Graduate Classes, Rajkot, they are unhappy surprises.

II. *Preface to the Third Edition.*—In the preface to the third edition, the author says "The present writer was perhaps, the first few to emphasise the role of cottage industries in our national economy." This sentence ought to read, "The present writer was one of the first few.."

Ignoring the faulty construction of the sentence, it is rather very tall for the author who is just a lecturer in Economics in the Osmania University to say that he is one of the earliest and "first few" to emphasise the role of cottage industries. Hundreds of philosophers, administrators, statesmen and economists, living and dead, long before the author was born, have given expression to the importance of cottage industries in the economic and social structure of the country.

III. *The so-called Revised Edition.*—In any revised edition care should be taken to see that ideas and sentences, which are obsolete are deleted.

The author calls it a Revised Edition without actually revising it.

To take a few examples :

(i) Page 18. "It is the small-scale industries that *are* helping China to resist Japanese aggression". Where is Japanese aggression now ?

(ii) Page 17. "But due to the present war that glamour has disappeared." Which war ?

(iii) Page 17. "Markets for commercial crops are now closed." Are they?

(iv) Page 19. "With War at the gates of India we are forced to be self-reliant." Which is this war at the gates of India?

(v) Page 27. "The *present* War has taught us."

(vi) Page 30. "The Bengal Industrial Committee published an interim report *last year*." This was in 1943, not last year.

IV. *Chapter I.*—The author presents the problem in this chapter in a rather elementary way with a number of mis-statements. As a matter of fact the place of cottage industries in the economic structure of India is scantily dealt with. The author praises the work of the Hyderabad Government for cottage industries. As a matter of fact we have just begun the work after the Police Action.

Chapters II and III.—In Chapter II one would like to know whether the author really offers any tangible solution to unemployment. He suggests that the educated unemployed should start cottage industries of their own with grants-in-aid from the Provincial and State Governments. How impracticable the suggestion is!

Chapter IV. Difficulties in the way of Re-suscitation.—This chapter is based entirely on

Dr. V. K. R. V. Rao's article published in "Industrial Problems of Modern India." The author does not even make a passing reference to the original.

Appendix A. Nature and Purpose of Economic Activity.—One cannot understand why this appendix has been inserted in this pamphlet.

Appendix B. Economics of Hand Spinning.—This is based entirely on a chapter from Jathar and Beri's "Indian Economics," Vol. II. The advantages of hand-spinning are taken in extenso from the above book, and one fails to understand the claim of the author for originality in his preface.

Appendix D. Cottage Industries in Hyderabad.—The appendix was evidently an after-thought. The information given here is to be found in some of the text-books on Geography prescribed in the Middle School Classes in Hyderabad. The author quotes from the *Hyderabad Government Bulletin On Economic Affairs* :—"From the forests of Mahboobnagar we cannot get fine wood for furniture making." Such *mis-quotations*, to say the least, seriously reflect on the sense of responsibility of the author. Further the author says that there is a separate department in Hyderabad for Cottage Industries. This is not so.

Current Statistics

HYDERABAD

SEASON AND CROP REPORT FOR WEEK ENDING THURSDAY 20TH OCTOBER, 1949.

GENERAL REMARKS WEATHER

DURING the week under report the rainfall was light to moderate throughout the State. The chief amounts of rainfall are 5.80" in Yadgir (Gulbarga District), 5.44" in Makthal (Mahbubnagar District), 5.42" in Biloli (Nander District)-4.95" in Shahabad (Hyderabad District), 4.87" in Kalvakurthi (Mahbubnagar District) and 4.14" in Bodhan (Nizamabad District).

Average rainfall: Telingana 2.22", Marathwada 1.87" and Hyderabad State 2.04".

The weather was slightly cool and breezy. Sky was partly cloudy. Maximum temperature was 99° in Raichur and minimum 62° in Aurangabad.

During the week no taluq recorded a deficiency of rainfall.

Periodical average rainfall for the current Agricultural year and the normal figures are as follows :—

	Average (present season)	Normal (29 years)	Departure from normal
S.W. Monsoon	33.91"	25.82"	+8.09"
N.E. Monsoon	3.02"	1.41"	+1.61"
Total ..	36.93"	27.23"	+9.70"

CROPS

Kharif crops remained poor in parts of the following taluqs due to excessive rain received during the preceding weeks; Andol (Medak District), Pargi and Makthal (Mahbubnagar District), Huzurabad (Karimnagar District), Asifabad and Utnur (Adilabad District), Paitan and Kannar (Aurangabad District), Hadgaon and Biloli (Nander District), Shahpur (Gulbarga District) and Jangaon (Bidar District).

Crop suffered due to the week's rain in parts of the undermentioned taluqs: Shahabad (Hyderabad District), Palam and Pathri (Parbhani

District), Georai and Mominabad (Bir District) Bidar and Nilanga (Bidar District).

Crops attacked by insects in some parts of Manvi and Kushtagi taluqs (Raichur District).

Harvesting of minor crops over and harvesting of major crops proceeding.

Abi suffered due to week's rain in parts of the following taluqs: Nizamabad (Nizamabad District), Adilabad and Sirpur (Adilabad District).

Abi crops suffered due to lack of water in parts of Armur taluq (Nizamabad District) and are in need of rain in parts of Miryalguda taluq (Nalgonda District).

Crops attacked by diseases in parts of Armur (Nizamabad District) and Devarkonda (Nalgonda District) taluqs.

Preparation of Rabi lands completed and sowing proceeding.

Early sown crops suffered due to week's rain in parts of Makhtal (Mahbubnagar District), Georai and Mominabad taluqs (Bir District).

Crops are in need of rain in Miryalguda taluq (Nalgonda District).

AGRICULTURAL STOCK

Sowing suspended due to rain in parts of Sirpur and Asifabad taluqs (Adilabad District).

Water and fodder was easily obtained. Cattle disease was prevalent in some villages of Nizamabad, Mahbubnagar, Karimnagar, Adilabad, Parbhani, Nander, Raichur, and Bidar.

GRAIN MARKET

Average retail prices of grains in seers per O.S. rupee were:

Grain	Present week	Last week	Corres- ponding week of last year
Wheat ..	1½	1½	1
Rice ..	2	2	2
W. Jawar ..	3½	3	3½
Y. Jawar ..	4	4	4

Note.—This report is based on 61 out of 108 (about 56 per cent.) weekly reports received on due date.

COMPARATIVE STATEMENT SHOWING RAINFALL OF PAST AND PRESENT SEASONS

Districts, ect. Factories	DURING WEEK ENDING 29TH AZAR 1359 F.				Total average rainfall from 16-5-1949 upto 10-10-1949	Total average rainfall of cor- responding period of last year	Departure from normal (29 years)
	Average rainfall of cur- rent sea- son cor- rected upto 13-10-1949	No. of taluqs from which re- ports have been received	Average rainfall				
1	2	3	4	5	6	7	
Hyderabad City ..	26.82	..	0.86	27.18	19.47	+	8.74
Hyderabad ..	25.83	1 out of	5	4.95	30.28	+	7.12
Nizamabad ..	41.15	4 „	5	2.92	44.07	+	11.46
Medak ..	35.86	3 „	5	1.16	37.02	+	8.25
Mahbubnagar ..	29.73	6 „	6	2.86	32.09	+	8.26
Nalgonda ..	21.87	4 „	7	1.12	22.99	+	0.66
Warangal ..	38.37	4 „	8	1.25	39.62	+	7.06
Karimnagar ..	32.52	5 „	7	2.48	35.00	+	3.56
Adilabad ..	49.34	5 „	10	1.53	50.87	+	13.06
Telingana Average ..	34.27	32 out of	53	2.22	36.49	+	7.43
Aurangabad ..	34.27	5 out of	10	0.81	35.08	+	9.99
Parbhani ..	40.98	4 „	7	0.87	41.80	+	12.24
Nander ..	44.46	2 „	6	4.04	48.50	+	18.86
Bir ..	33.18	3 „	6	2.33	35.51	+	10.82
Gulbarga ..	29.46	5 „	8	3.17	32.63	+	9.61
Raichur ..	21.47	6 „	8	2.78	24.25	+	5.92
Osmanabad ..	36.90	All reports due	..	36.90	20.58	+	12.06
Bidar ..	43.86	4 out of	5	0.96	44.32	+	16.80
Marathwada Average ..	35.50	29 out of	55	1.87	37.37	+	11.97
Hyderabad State Average ..	34.89	61 out of	108	2.04	36.93	+	9.70

BULLION MARKET

PRICES OF GOLD AND SILVER

The highest prices recorded by Gold and Silver in July 1949, were Rs. 140 per tola and Rs. 205 per hundred tolas respectively as against Rs. 144 and Rs. 210 respectively during June 1949.

The lowest and highest prices recorded by Gold and Silver during the period January to July 1949 are noted below :

Months	GOLD PER TOLA				SILVER PER HUNDRED TOLAS			
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
January 1949	..145 0 0	137 0 0	205 0 0	196 0 0				
February	..145 0 0	142 0 0	214 0 0	203 0 0				
March	..142 8 0	125 0 0	210 0 0	197 0 0				
April	..132 8 0	132 0 0	207 0 0	197 0 0				
May	..143 8 0	138 0 0	209 0 0	203 0 0				
June	..144 0 0	139 0 0	210 0 0	202 0 0				
July	..140 0 0	132 0 0	205 0 0	186 0 0				

I.G. EXCHANGE RATES

The buying and selling exchange rates in July, 1949 stood unchanged at Rs. 116-8-0 and Rs. 116-12-0 respectively as against last month's rates.

Months	BUYING		SELLING	
	Lowest	Highest	Lowest	Highest
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1949	-	-	-	-
July	..116 8 0	116 8 0	116 12 0	116 12 0
1949				
June	..116 8 0	116 8 0	116 12 0	116 12 0
1948				
June	..116 8 0	116 9 6	116 12 0	116 12 0

SHARE MARKET

The quotations for the Government Promissory notes and other shares on the last day

of June and July 1949 are given in the following statement :

Particulars	CLOSING RATES ON THE LAST DAY OF			
	June 1949		July 1949	
	Rs.	a. p.	Rs.	a. p.
<i>Government Securities</i>				
N.G.P. 2½ per cent. ..	..100	13 0	100	12 0
N.G.P. 3 per cent. ..	..101	8 0	101	6 0
N.G.P. 2½ per cent. ..	.. 99	10 0	99	10 0
<i>Banking</i>				
G. Raghunathmul Bank (O.S. 100-50 pd) ..	.. 42	0 0	42	0 0
Hyderabad Bank (O.S. 50) ..	..		
Mercantile Bank (O.S. 100-50 pd) ..	.. 47	0 0	47	0 0
State Bank (O.S. 100) ....	..110	0 0	110	0 0
<i>Railways</i>				
N.S. Railway 5 per cent. (O.S. 250) ..	..550	0 0	550	0 0
Do 6 per cent. (O.S. 250) ..	.. 450	0 0	450	0 0
<i>Textiles</i>				
Azamjahi Mill (O.S. 100) ..	..310	0 0	319	8 0
D.B.R. Mills (I.G. 100) ..	..250	0 0	250	0 0
M.S.K. Mills (I.G. 10) ..	.. 74	0 0	73	8 0
Osmanshai Mills (I.G. 100) ..	..241	8 0	239	8 0
J.R.B. Poona Mills (I.G. 10) ..	..		
<i>Sugar</i>				
Nizam Sugar Ordinary (O.S. 25) ..	.. 40	0 0	40	0 0
Do (O.S. 25-20 pd) ..	.. 32	0 0	32	0 0
Do Pref (O.S. 25) ..	..		
5 per cent. ..	.. 26	0 0	26	0 0
Do (O.S. 25-20 pd) 4 per cent. ....	.. 18	0 0	18	0 0
<i>Chemicals.</i>				
Chems. and Ferts. (O.S. 50) ..	.. 20	0 0	18	0 0
Chems. and Pharmts. (O.S. 25) ..	.. 20	0 0	20	0 0
<i>Miscellaneous</i>				
Allwyn Metals (O.S. 50) ..	.. 38	0 0	38	0 0
Do (O.S. 50-37/8 pd) ..	..		
Hyd. Construction (O.S. 100) ..	..135	0 0	135	0 0
Do (O.S. 100-75 pd) ..	..		100	0 0
Hyd. Tanneries (O.S. 50-40 pd) ..	.. 20	0 0	20	0 0
National Food (O.S. 10) ..	..		
Singareni Coll : (O.S. 10) ..	..		
Sirpur Paper (O.S. 100) ..	..105	0 0	98	0 0
Do (O.S. 100-75 pd) ..	..		
Starch Products (O.S. 50) ..	.. 25	0 0	25	0 0
Taj Clay (O.S. 100) ..	.. 60	0 0	60	0 0
Taj Glass (O.S. 10) ..	.. 6	0 0	6	0 0
Vazir Sultan (O.S. 10) ..	.. 42	0 0	42	0 0
Veg : Products (I.G. 10) ..	.. 7	12 0	6	8 0

GOVERNMENT RECEIPT AND EXPENDITURE

The following statement gives the receipt and expenditure under certain important heads in Hyderabad State for the month of July, 1949 with comparative figures for the previous month.

Figures in thousands of Rupees

Serial No.	Heads	RECEIPTS		EXPENDITURE	
		July 1949	June 1949	July 1949	June 1949
1	Land Revenue	.. 2,367	1,515	1,228	923
2	Forest ..	.. 782	576	162	175
3	Customs ..	.. 3,885	2,727	358	260
4	Excise ..	.. 5,685	6,173	457	438
5	Stamps & Registration	521	680	58	43
6	Debt services	.. 1,192	786	258	111
7	Mint Currency & coinage	.. ..	..	70	56
8	Post ..	.. 219	237	161	220
9	Civil administration	.. 74	5	1,504	1,288
10	Police ..	.. 2	..	2,382	2,133
11	Education ..	.. 68	20	2,458	802
12	Medical ..	.. 7	30	652	1,162
13	Agriculture	.. 21	12	240	192
14	Municipalities & Public Health ..	.. 39	60	656	811
15	Buildings ..	.. 15	11	1,160	1,148
16	Irrigation ..	.. 5	7	275	265
17	Railways ..	.. 38	7	..	55
18	Miscellaneous	.. 8,727	364	90	619

BANKING STATISTICS

JOINT-STOCK BANKS, LIABILITIES AND CASH HOLDINGS

For the week ending 29th July, 1949 the total liabilities and cash holdings of 19 reporting joint-stock Banks (working in the State) amounted to Rs. 2545.25 and Rs. 534.94 lakhs respectively while the total advances made in State and the Bills purchased and dis-

counted stood at Rs. 759.28 lakhs and Rs. 130.07 lakhs respectively.

CASH BALANCE OF GOVERNMENT

The following statement shows the Government cash Balances with the Hyderabad State Bank and the Government Treasuries, for the months of Shehrewar and Amardad 1358 F.

[Statement.]

FIGURES IN LAKHS OF RUPEES

Month	AT THE GOVT. TREASURIES ON THE LAST DAY OF		AT THE HYDERABAD STATE BANK ON THE LAST DAY OF THE		Total	
	Current month	Previous month	Current month	Previous month	Column (2+4)	Column (3+5)
Shehrewar 1358 F. ..	147.80	125.31	498.79	525.16	646.59	650.47
Amardad 1358 F. ..	125.31	116.47	525.16	554.31	650.47	670.78

CO-OPERATIVE BANKS AND SOCIETIES

During the month under review the Capital and Reserve of 25 Co-operative reporting Banks (working in the State) amounted to Rs. 16.96 thousands, while the value of deposits and loans

held at the end of the month (from non-members and members in individual capacity, Banks, Societies and Government) stood at Rs. 28.71 thousands. The cash in hand and at Bank was Rs. 2.62 thousands.

HYDERABAD STATE BANK

CONSOLIDATED STATEMENT OF WEEKLY POSITION AS ON 14TH OCTOBER 1959 F.

LIABILITIES				ASSETS			
				<i>Advances</i>			
Capital Account	..	75,00,000	0 0	Loans	..	8,41,374	0 8
Reserve Fund ..	..	28,75,000	0 0	Cash Credits	..	2,32,85,216	11 8
<i>Deposits</i>				<i>Overdrafts..</i>			
Current Accounts	..	11,04,52,010	4 0	Investments	..	5,68,97,106	7 0
Savings Bank Accounts	..	32,83,316	3 4	Bills Discounted	..	34,28,275	15 2
Fixed Deposits	..	27,46,775	1 0	D. D's. Purchased	..	15,69,229	4 8
Short Term Deposits	..	64,58,969	4 2	Dead Stock	..	7,77,540	0 8
Sundries	..	9,68,38,007	0 0	Sundries	..	9,35,87,772	15 8
				<i>Cash</i>			
				In Hand	..	3,28,25,864	15 11
				With Bankers	..	82,94,805	1 10
<hr/>				<hr/>			
28,01,44,077 12 6				28,01,44,077 12 6			

**DETAILED STATEMENT SHOWING PARTICULARS OF JOINT STOCK COMPANIES
INCORPORATED IN HYDERABAD AND REGISTERED IN THE MONTH OF
OCTOBER 1949.**

CAPITAL (O.S. CURRENCY)

Srl. No.	Classification and name of the Com- pany	Names of Agents and Secretaries &c. and situation of registered office	Date of &c. registration	Object	Authorised	Issued	Paid-up
-------------	--	---	-----------------------------	--------	------------	--------	---------

*Trading and Manu-
facturing*

1.	Warangal Indust- ries Limited	Mr. Giluram Bha- ratia, Promoter, Warangal Indus- tries, Warangal	19- 1-59F.	Trading & 5 Lakhs manufactu- ring	5 Lakhs	5 Lakhs	Nil.
----	----------------------------------	--	------------	---	---------	---------	------

2. Companies limited by guarantee and
Associations not for profit.

Number of members

—Nil—

RAILWAY STATISTICS

The approximate Goods Traffic earnings for the month under review were Rs. 27.20 lakhs as against Rs. 22.31 lakhs for June 1949. The total earnings for July 1949 were Rs. 98.77 lakhs as against Rs. 88.65 lakhs for the preceding month.

The total number of passengers travelling by rail decreased by about 16.45 lakhs in July 1949 as compared to the figures of the previous month.

Road Transport.—The approximate earnings of R.T.D. in July 1949, amounted to 14.91

lakhs, showing thereby a decrease of Rs. 1.80 lakhs compared to the figures of the previous month.

The total number of passengers carried by road during the month under review was 32.27 lakhs as against 21.40 lakhs during the previous month.

The following statement gives the total earnings of Railway and R.T.D. and the number of passengers carried by rail and road in June and July 1949.

FIGURES IN LAKHS

TOTAL EARNINGS				GOODS TRAFFIC EARNINGS		TOTAL NUMBER OF PASSENGERS			
RAILWAY		R.T.D.				RAIL		ROAD	
July	June	July	June	July	June	July	June	July	June
1949	1949	1949	1949	1949	1949	1949	1949	1949	1949
98.77	88.65	14.91	16.71	27.20	22.31	19.57	36.02	32.27	21.40

HYDERABAD AVIATION STATISTICS—SEPTEMBER, 1949.

DECCAN AIRWAYS, LTD.

STATISTICS FOR THE MONTH OF SEPTEMBER, 1949

(Revenue Figures only)

Serial No.	Particulars	For the month	To the end of September, 1949
1.	Hours flown	No. .. 717	8,164
2.	Miles flown	110,214	1,227,544
3.	Passengers carried	2,308	29,406
4.	„ Miles flown	1,123,029	13,473,311
5.	„ Ton-Miles flown	99,193	1,190,572
6.	Mails carried	Tons .. 20	126
7.	„ Ton-Miles flown	No. .. 13,301	74,860
8.	Cargo carried	Tons .. 48	466
9.	„ Ton-Miles flown	No. .. 19,921	200,607
10.	Total Ton-Miles flown	132,415	1,465,439
11.	Capacity Ton—Miles flown	221,289	2,414,858
12.	Percentage of total revenue ton-miles to capacity ton-miles.	Percent. 59.9	60.7

INDUSTRIAL STATISTICS

Matches.—The Match Factories working in Hyderabad State produced 19.2 thousand gross boxes in July 1949, thereby showing an increase of 2.5 thousand gross boxes over the production of the preceding month.

Cement.—The output of cement during July 1949 was 14.8 thousand tons showing an increase of about 2.6 thousand tons as against the production of the previous month.

Sugar.—During the month under review no production of Sugar was reported as the Factory was closed.

Commodities	Units	(+) OR (-) AS COMPARED WITH				
		July 1949	June 1949	July 1948	June 1949	July 1948
Matches	.. G.B.	19.2	16.7	18.9	+2.5	+ 0.3
Cement	.. Tons	14.8	12.2	0.4	+2.6	+14.4
Sugar	.. Cwts.	Factory Closed				

TRADE STATISTICS

Monthly Import of Foodgrains into the City of Hyderabad :

The following table gives the quantities of certain imported food articles into the City of Hyderabad from the Indian Union and from different places of Hyderabad State during the month of July 1949 and the corresponding month of last year.

QUANTITIES IN PALLAS OF 120 SEERS

Serial No.	Commodities	Total Import during	
		July 1949	July 1948
1	Wheat	.. ..	..
2	Wheat flour	.. ..	..
3	Paddy	.. ..	..
4	Rice ..	8,998	39,688
5	Jawar..	586	4,656
6	Bajra	.. ..	..
7	Ragi ..	.. ..	..
8	Urad ..	50	230
9	Gram	139	11,044
10	Ghee (Maund)	806	122
11	Tea ..	.. ..	..
12	Sugar	.. ..	..

IMPORTS AND EXPORTS

IMPORTS

Value in thousands of Rupees

Serial No.	Commodities	July 1949	June 1949	(+) or (-) as compared with June 1949
1.	Piecegoods	1,06,90	1,23,20	- 1,630
2.	Yarn	26,18	17,69	+ 844
3.	Silk	1,87	1,01	+ 86
4.	Sugar	20,82	12,16	+ 866
5.	Fruits	20,20	11,44	+ 876
6.	Betel Nuts	5,16	7,05	- 189
7.	Animals	1,47	1,68	- 21
8.	Brassware	3,52	4,86	- 134
9.	Iron	7,96	10,87	- 291
10.	Timber	1,20	1,56	- 36
11.	Silver (tolas)	8	6	+ 2
12.	Gold (tolas)	25	34	- 9
13.	Foodgrains	85,37	60,16	- 2,521
14.	Miscellaneous	2,30,19	1,98,10	+ 3,209
15.	Salt	3,61	10,41	- 680
	Total	5,14,73	4,65,59	+ 4,914
	Total for corresponding month of last year	1,12,11	1,59,88	- 4,777

EXPORTS

Serial No.	Commodities	July 1949	June 1949	(+) or (-) as compared with June 1949
1	Foodgrains	6,11	8,18	- 202
2	Cotton	30,43	45,84	- 1541
3	Linseed	5,81	10,98	- 517
4	Til	11,79	7,89	+ 390
5	Groundnut	13,69	11,12	+ 259
6	Castor seed	6,42	6,99	- 57
7	Oils	52,45	51,56	+ 89
8	Indigo	1	1	-
9	Timber	3,98	4,76	- 78
10	Hides and Skins	2,13	2,50	- 37
11	Animals	4	5	- 1
12	Miscellaneous	44,95	57,57	- 1,262
	Total	1,77,81	2,07,39	- 2,958

Total for corresponding month of last year 1 .. 1,87,59 2,60,45 - 7,286

COTTON STATISTICS

MONTHLY COTTON REPORT FOR THE MONTH OF SEPTEMBER, 1949.

RAINFALL AND CROP CONDITION

During the month under report heavy rainfall was recorded in all the districts of the State except Nalgonda, Warangal and Karimnagar. The average for the month was 10.80 inches as compared with 7.39 inches in Aban 1358 F. (September 1949), and 6.49 inches, the average Aban rainfall for the preceding 50 years.

In the predominantly cotton growing tracts, comprising 98 per cent. of the total area under cotton (according to second cotton forecast figures), the corresponding average rainfall were 11.58 inches, 6.90 inches and 6.59 inches.

The statement below gives separately for Telingana and Marathwada the average rainfall for Aban in the current year, the previous year and the normal :—

Districts	Aban 1358 F. September 1949	Aban 1357 F. September 1948	Average Aban rainfall in preceding 50 years
Telingana	8.86	8.44	6.84
Marathwada	12.74	6.35	6.65

Total since the beginning of the season (1st Amardad 1358 F.)

31.69 25.29 25.02

In almost all the areas where Kharif cotton is grown the standing crop suffered due to excessive rain.

AREA

The estimated area under cotton according to the second forecast for the year 1949-50 is 1,419,201 acres as against 1,240,553 acres for the corresponding period of last year which shows an increase of 178,648 acres i.e. 14.4 per cent.

Classified by trade description the estimated acreages are as follows :—

Trade description	AREA		5 yrs. Av. (1858-1857 F.)	Staples
	1358-59 F.	1357-58 F.		
	1949-50	1948-49		
	Acre	Acre	Acre	
I. Hyderabad Oomaras	901,128	771,118	733,046	Short
II. Hyderabad Gaorani	472,537	448,834	432,331	Medium
III. Raichur Kumptas and Upland	808	..	658	do
IV. Western	25,513	8,703	17,901	do
V. Warangal and Coconadas	19,715	11,898	24,889	Short
Total ..	1,419,201	1,240,553	1,208,825	

COTTON MARKET RATES

(Rate of Kapas per paila of 120 Srs.)

Markets				Variety	Opening			Closing			Last year closing	
					Rs.			Rs.				
1.	Warangal	..	..	.. Barsati	..	60	0	0	58	0	0	..
				Rabi	..	70	0	0	70	0	0	..
2.	Raichur	..	..	.. Mungari	..	85	8	0	90	0	0	..
				Farm	..	87	0	0	88	0	0	..
3.	Aurangabad	..	..	..	Season over							
4.	Adilabad	..	..	..	do							
5.	Jalna	..	..	..	do							
6.	Gangakhed	..	..	..	do							
7.	Nanded	..	..	.. Sarkari	..	88	0	0	88	0	0	..

(Rate of Lint per palla of 120 srs.).

1. Raichur .. ..	..	..	.. Mungari ..	220 0 0	220 0 0	..
			.. Farm ..	220 0 0	220 0 0	..
2. Aurangabad ....	..	..	..	Season over		
3. Adilabad .. ..	..	..	..	do		
4. Jalna .. ..	..	..	..	do		
5. Gangakhed .. ..	..	..	..	do		
6. Nanded .. ..	..	..	.. Bani ..	221 0 0	241 0 0	..

PRESSING

During the month under report (September 1949) 1,008 bales were pressed as against nil bales in the corresponding month of last year, the average for the preceding five years was 1,578 bales. Total number of bales pressed since the beginning of the season (1st September 1948), is 1,008 bales as against nil bales during the corresponding period last year.

EXPORT

Export by rail and road in the month of Mehir 1358 F. (August 1949) amounted to 4,497 bales as against 75 bales of last year and the average of the preceding five years namely 10,370 bales. The total export since the beginning of the season (1st September 1948) was 228,420 bales as against 873,684 bales of last year for the corresponding period.

MILL CONSUMPTION

Spinning and weaving mills in the State consumed 2,377,115 lbs. (6,064 bales) during the month of September 1949 as against 1,684,657 lbs. (4,298 bales) in the corresponding month of last year and the average for the corresponding month of the preceding quinquennium of 2,036,800 lbs. (5,170 bales). Total consumption since the beginning of the season (1st September, 1949)

amounted to 2,377, 115 lbs. (6,064 bales) as against 16,84,657 lbs. (4,298 bales) last year.

COTTON STOCK

The stock of cotton on 31st August 1948 was 81,135 bales (400 lbs. each) as against 96,270 bales (400 lbs. each) reported for the corresponding period of last year.

The stock of cotton in the Regulated Markets for the month of Aban 1358 F. (September 1949) is noted below :—

Ginned cotton pressed in bales	Ginned cotton un-pressed in lbs. bales	Unginned cotton lbs. bales	Total bales
--------------------------------	--	----------------------------	-------------

11,705 183,062 lbs. 8,320 lbs. 12,174 (kapas)

462 Bales 7 Bales (Lint).

Note.—In view of the decision of the Indian Central Cotton Committee, Bombay, all the statistics of cotton pertaining to September, 1949 are given in terms of bales of 392 lbs. instead of 400 lbs.

WORKING CLASS COST OF LIVING INDICES FOR THE MONTH OF SEPTEMBER, 1949

(BASE YEAR AUGUST 1943 TO JULY 1944 = 100)

Serial No.	Groups	HYDERABAD CITY		WARANGAL		NIZAMABAD		NANDER		AURANGABAD		GULBARGA	
		Weight proportional to Index	total num-ber	Weight proportional to Index	total num-ber	Weight proportional to Index	total num-ber	Weight proportional to Index	total num-ber	Weight proportional to Index	total num-ber	Weight proportional to Index	total num-ber
1.	Food	62.25	146	68.43	154	64.38	188	62.89	318	58.07	178	66.50	141
2.	Fuel & Light	6.87	159	7.50	164	8.55	183	6.73	191	6.32	167	6.06	200
3.	Clothing	11.03	121	8.70	117	13.66	169	13.85	166	18.46	158	13.15	114
4.	Rent	3.31	100	3.21	100	3.73	100	4.29	100	4.15	100	3.82	100
5.	Miscellaneous	10.66	187	8.04	164	5.73	166	8.49	161	11.46	177	8.50	186
6.	Intoxicant	3.88	186	1.12	320	3.94	211	3.75	131	0.24	171	2.48	234
Cost of living Index Number		100.00	143	100.00	157	100.00	182	100.00	258	100.00	170	100.00	146

WHOLESALE PRICES IN THE CITY OF HYDERABAD

Compared to last month (June) the average Index Number of All Food consisting of Cereals, Pulses, Sugar and Other Food Articles decreased by 4 points owing particularly to a fall in prices of Gram horse, Mung green, Tuar broken, Turmeric, Chillies, Potatoes and Ginger.

The average index number of all Non-Food consisting of oilseeds, vegetable oil, raw cotton,

cotton manufactures, hides and skins, building materials and other raw and manufactured articles remained stationary on the whole.

As a result the General Index Number came down by one point compared to the preceding month.

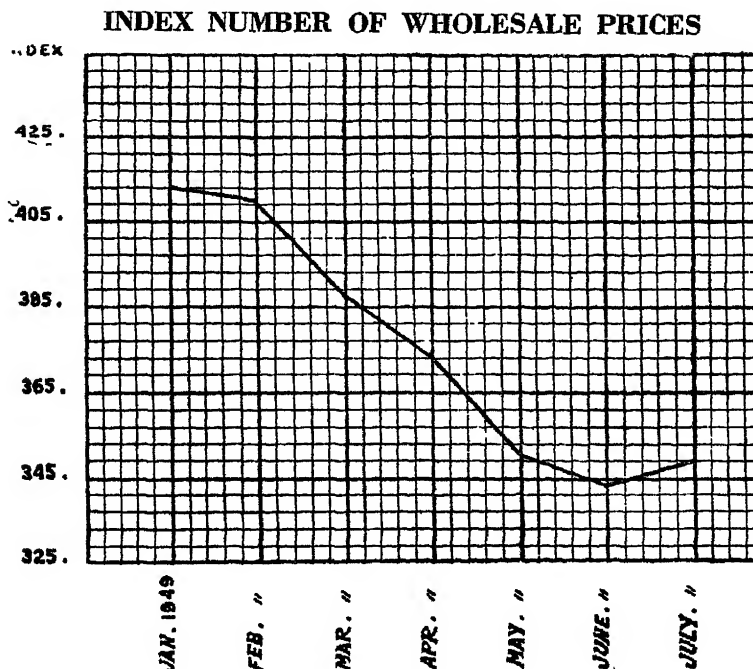
The following statement gives the group indices of wholesale prices for the City of Hyderabad for the months of July 1949, June 1949 and July 1948.

BASE AUGUST 1939=100

Serial No.	Groups	No. of Items	INDEX NUMBERS		(+) OR (—) As COMPARED WITH				
			July 1949	June 1949	July 1948	June 1949	July 1948		
1	Cereals ..	10	314	314	350	..	—	36	
2	Pulses ..	6	396	397	475	—	1	—	77
3	Sugar ..	2	259	238	229	+	21	+	30
4	Other food ..	16	378	389	473	—	1	—	95
5	All food ..	34	357	361	431	—	4	—	74
5	Oilseeds ..	5	487	479	440	+	8	+	47
6	Vegetable oil ..	4	545	552	614	—	7	—	69
7	Raw cotton ..	1	410	410	375	..	+	35	
8	Cotton Manufacturing ..	5	330	330	427	..	—	97	
9	Hides & Skins ..	2	369	358	284	+	11	+	85
10	Building Material ..	8	349	370	366	—	21	—	17
11	Other Raw & Manufactured Articles ..	7	300	303	367	—	3	—	67
	All Non-food ..	32	405	405	418	..	—	18	
	General Index Number ..	..	378	379	425	—	1	—	47

The trend of general index numbers of wholesale prices for the city of Hyderabad for the

period January to July 1949 is indicated in the graph below :



Retail prices in Hyderabad State: In the month under review, the index numbers of Coarse Rice, Jawar, Bajra, Ragi, Maize increased by 8, 6, 24, 29 and 4 points respectively compared to the corresponding indices for the previous month. The general index number has thereby gone up to 349 in July from 344 in June.

The following table gives the retail prices of the ten main commodities in Hyderabad State (based on reports from Tahsils) in seers and chataks per O.S. rupee with their index numbers.

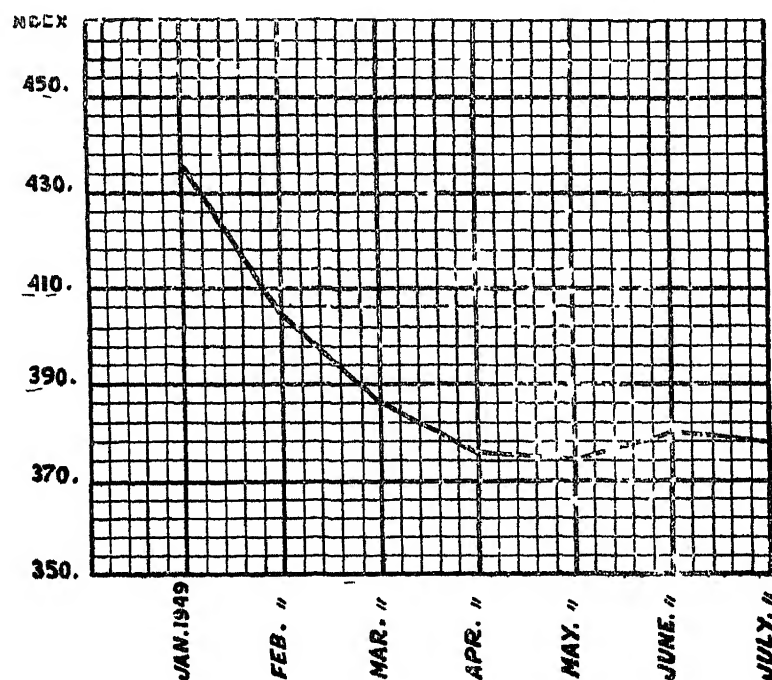
Serial No.	Commodities	Base price Aug. 1939	PRICES FOR		INDEX NOS. FOR	
			July 1949	June 1949	July 1949	June 1949
1	Coarse Rice	.. 7- 3	2- 4	2- 5	319	311
2	Paddy	..14-12	3-10	3- 9	407	414
3	Wheat	.. 7- 5	1-10	1- 9	450	468
4	Jawar	..10- 0	3- 4	3- 5	308	302
5	Bajra	..10- 8	3- 3	3- 7	329	305
6	Ragi	..11- 5	3- 2	3- 6	362	388
7	Maize	..10-13	3-12	3-13	288	284
8	Gram	.. 7-10	1-18	1-13	421	421
9	Tuar	..10- 1	2- 2	2- 2	474	474
10	Salt	.. 8-13	6-12	6-13	131	129
	General Index number				349	344

Index, 425, 403, 385, 365, 345, 325.

The following graph shows the trend of general index numbers of retail prices of the above ten

main commodities during the months of January to July 1949.

GENERAL INDEX OF RETAIL PRICES



Particulars	JULY 1949		JUNE 1949		MAY 1949		JULY 1948		JUNE 1948		MAY 1948	
	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing
	Rs.	Rs.	Rs.	Rs.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.	Rs.	a. p.
Kapas ..	72	72	70	70	79	12 0	79	12 0	53	8 0	50	0 0
	90	88	90	90	89	12 0	89	12 0	72	8 0	72	8 0
Lint ..	220	220	175	175	237	0 0	231	0 0	145	0 0	110	0 0
	235	221	227	235	..	..	..	..	195	0 0	187	0 0

INDEX NUMBERS OF COST OF LIVING IN INDIA

		BASE : AUGUST 1939=100					BASE : 1941=100							
BOMBAY PROVINCE		UNITED MADRAS		CENTRAL PROVINCES		DELHI PRO-VINCE	AJMER-MERWARA PROVINCE	BIHAR PROVINCE		ASSAM PRO-VINCE	ORISSA PRO-VINCE			
Bom-abad		Kampur		Nag-pur		Jubbul-pur	Ajmer	Jharia Jamshed pur		Gauhati Cuttack				
		1	2	3	4	5	6	7	8	9	10	11	12	13
Average of (1947-48) Months (1948-49)	268	308	349	389	289	329	129	124	160	144	127	101	119	
	297	341	415	498	320	379	151	133	161	154	137	124	136	
	270	297	385	375	309	353	132	120	156	138	131	106	123	
	277	310	386	379	307	358	137	125	154	142	130	109	128	
	278	327	396	442	311	375	146	136	160	151	137	115	130	
	292	336	412	462	312	379	150	141	158	155	138	116	135	
	297	344	423	516	320	385	154	140	156	160	139	119	140	
	306	355	419	534	321	380	151	140	160	164	140	121	141	
	308	356	423	558	317	383	151	135	167	164	138	126	142	
	300	362	419	547	316	386	152	136	173	165	139	128	142	
	302	364	421	534	317	387	154	136	164	158	141	127	141	
	310	358	422	508	329	389	159	130	162	148	138	129	135	
1949	301	323	426	506	331	380	157	128	161	148	134	127	131	135
"	292	329	423	515	331	374	148	127	161	146	131	131	131	135
"	296	332	412	479	333	374	149	127	161	150	134	134	134	137
"	290	333	407	468	327	376	150	128	158	150	136	133	133	141

SOURCE.—Labour Gazette—Government of Bombay and Indian Labour Gazette.

INDEX NUMBERS OF WHOLESALE PRICES IN INDIA

WHOLESALE PRICES (GENERAL PURPOSE) YEAR ENDED AUGUST
1939=100

Average of weeks			Food Articles	Industrial raw mate- rials	Semi- manu- factured articles	Manu- factured articles	Miscella- neous	General Index
			(1)	(2)	(3)	(4)	(5)	(6)
1947-48	..	..	306.1	377.5	261.6	286.4	456.2	308.2
1948-49	..	..	382.9	444.8	327.3	346.1	525.2	376.2
July	1948	..	390.7	449.9	338.2	370.1	537.3	389.6
August	..	..	397.7	438.1	330.7	353.0	532.6	382.9
September	..	..	396.6	435.1	340.2	348.1	531.1	382.8
October	..	..	393.1	435.7	340.3	347.7	547.8	381.7
November	..	..	394.1	440.3	340.9	346.0	548.0	382.2
December	..	..	397.5	457.7	328.3	347.5	536.7	383.6
January	1949	..	385.3	456.6	324.8	339.2	530.2	376.1
February	..	..	383.8	457.3	322.1	330.1	524.3	372.0
March	..	..	376.5	462.8	322.4	329.4	515.2	370.2
April	..	..	373.8	462.8	325.2	347.0	528.5	376.1
May	..	..	377.0	463.8	324.5	347.1	526.1	377.1
June	..	..	381.6	459.7	326.3	340.2	502.3	378.3
July	..	..	395.9	449.4	326.7	344.7	535.1	380.6
August	..	..	410.6	460.5	330.8	348.7	541.6	389.0

Source : OFFICE OF THE ECONOMIC ADVISER TO THE GOVERNMENT OF INDIA.

INDIA'S BALANCE OF TRADE

(PRIVATE AND GOVERNMENT)

		MERCHANDISE					TREASURE				Total visible balance of trade	
		Imports	Imports price indices	Total exports	Exports price indices	Balance	GOLD		SILVER		Balance of trans- action in treasure*	
		(-)	(+)	(+)	(+)		Imports	Total exports	Imports	Total exports		
		(-)	(+)	(+)	(+)		(-)	(+)	(-)	(+)		
		1	2	3	4	5	6	7	8	9	10	11
1938-39		.. 1,55,55	67	1,09,83	55	+ 14,28	75	13,81	2,46	78	+ 11,38	+ 25,65
1947-48		.. 4,45,88	203	4,08,24	205	- 37,64	9,47	2	11,60	..	- 21,06	- 58,70
1948-49		.. 5,18,00	240	4,22,82	232	- 95,17	1	1	79	..	- 78	- 95,96
May	1948	.. 43,33	214	31,53	242	- 11,80	..	..	6	..	- 6	- 11,86
June	..	.. 35,81	233	36,80	236	+ 1,00	..	..	23	..	- 23	+ 76
July	..	.. 40,56	250	38,82	242	- 1,75	..	..	14	..	- 14	- 1,89
August	..	.. 43,90	252	33,83	222	- 10,07	..	..	5	..	- 5	- 10,12
September	..	.. 39,11	256	35,23	237	- 3,88	..	..	..	..	..	- 3,89
October	..	.. 35,13	245	32,52	239	- 2,62	..	..	..	..	..	- 2,62
November	..	.. 42,22	235	37,19	231	- 5,03	..	..	..	..	..	- 5,03
December	..	.. 45,95	241	35,21	228	- 10,74	..	..	..	..	..	- 10,74
January	1949	.. 55,04	248	35,13	230	- 19,91	..	..	..	..	..	- 19,91
February	..	.. 52,11	264	35,75	222	- 16,36	..	..	..	..	..	- 16,36
March	..	.. 55,09	227	32,24		- 22,85		1			+	- 22,84
April	..	.. 51,69	221	34,46	231	- 17,23	..	..	..	..	..	- 17,23
May	..	.. 64,12	..	30,07	231	- 34,05	..	..	..	..	..	- 34,05
June	..	.. 60,55	..	29,64	..	- 30,90	..	..	..	..	..	- 30,90

NOTE.—The foreign trade of the ports of Karachi and Chittagong are excluded from 1st and 15th August, 1947, respectively. Figures from August 1947 to February 1948 relate to the trade of Indian Dominion only with all foreign countries excluding Pakistan; thereafter the figures include India's trade with Pakistan also. The foreign trade of Kutch has been included from June, 1948 and that of Travancore, Baroda, and Saurashtra from April 1949. *Excluding Currency notes. + Base 1927-28=100. As a result of the partition of India and merging of Government Stores with private merchandise and amalgamation of the trade statistics of Kathiawar and Travancore with those of India the figures for 1947-48 onwards are not comparable with those of the base year. No adjustments on either of these accounts have, however, been made.

SOURCE.—Department of Commercial Intelligence and Statistics.

RICE AND GRAIN PRODUCTION IN ASIA AND THE FAR EAST

Country	RICE (PADDY)			WHEAT			COARSE GRAINS		
	1934-38	1947-48 % of 1934-38	1948-49 % of 1934-38	1934-38	1947-48 % of 1934-38	1948-49 % of 1934-38	1934-38	1947-48 % of 1934-38	1948-49 % of 1934-38
Total ..	140,540	93.9	95.6	34,516	97.1	105.5	63,600	90.1	91.2
Burma ..	6,971	77.9	83.2	7	57.1	57.1	39	74.4	76.9
Borneo, North ..	170	70.0	70.0	..	..	..	..	..	..
Ceylon ..	300	74.7	96.7	..	..	..	..	..	..
China ..	52,117	92.4	92.5	21,743	108.8	110.4	30,494	90.7	93.3
India ..	29,204	97.9	99.3	7,140	68.2	76.1	18,160	101.3	98.9
Pakistan ..	11,168	105.8	104.0	3,183	100.5	104.2	..	..	..
Indo-China ..	6,498	73.8	78.6	..	..	..	538	..	..
Indonesia ..	9,845	87.9	93.6	..	..	..	1,978	66.4	97.9
Japan ..	11,500	97.3	102.3	1,287	59.6	73.0	1,963	70.0	83.9
Korea, Southern ..	2,520	102.6	101.3	103	85.4	97.1	1,046	65.5	81.5
Malaya ..	513	106.8	109.1	..	..	..	..	..	..
Philippines ..	2,179	107.2	110.1	..	..	..	427	109.1c	114.5
Siam ..	4,857	118.8	126.5	..	..	..	5	180.0	200.0

Source.—Food and Agriculture Organisation, Food and Agriculture Conditions in Asia and the Far East 1948, (United Nations document E/CN, 11/144, November, 1948); Grain Bulletin, Commodity Series No. 11; Food and Agriculture Statistics, March 1949. Most of the 1948/49 estimates are provisional.

INDUSTRIAL PRODUCTION IN ASIA AND THE FAR EAST

	Pre-war Average 1935-39	Peak Production	1947	1948 Production	As per cent. of Pre-war production	As per cent. of 1947 production	NOTES
	1	2	3	4	5	6	
IRON ORE :							
India ..	2,567	3,116	2,450	2,450	95	100	a. 1936 only.
China ..	3,800a	3,500	150	158	5	105	b. Less than 1,000 tons.
Japan ..	754	3,586	497	535	71	108	c. Less than 1 per cent.
Philippines ..	911	1,236	b	b	c	..	
Malaya ..	1,682	1,962	b	b	c	..	
Total ..	9,274	18,400	3,097	3,143	34	101	
COAL :							
India ..	28,000	29,721	30,622	30,800	109	100	a. 1937 only, including Manchuria.
Pakistan ..	..	..	..	27	..	..	b. Production from all enterprises under the National Resources Commission and private owners within Nationalist China.
China ..	36,900a	46,000	19,500b	18,800b	37	71	
Japan ..	45,000	57,824	27,240	33,720	75	124	
Malaya ..	521	281	226	375	72	166	
Indo-China ..	2,186	2,500	250	339	16	136	
Indonesia ..	..	..	..	..	..	..
Total ..	118,754	185,826	78,188	79,332	70	102	
TIN-IN-ORE :							
Burma ..	4.3	..	1.8	1.8	30	72	
China ..	10.9	..	4.1	4.9	45	120	
Indo-China ..	1.4	..	..	..	..	..
Siam ..	14.5	..	1.4	4.8	30	307	
Indonesia ..	29.9	..	16.2	30.6	102	189	
Malaya ..	57.1	..	27.4	45.7	80	167	
Total ..	118.2	..	50.9	86.8	73	171	
PIG IRON :							
India ..	1,688	2,040	1,540	1,470	88	95	
China ..	1,535	2,466	6	11	1	183	
Japan ..	2,400	3,000	360	805	34	224	
STEEL (INGOTS OR CRUDE) :							
India ..	960	1,392	12,24	1,200	125	98	
China ..	810	..	57	44	5	77	
Japan ..	5,300	7,824	936	1,705	32	182	
CEMENT :							
India ..	1,500	2,200	1,440	1,524	124	129	
Pakistan ..	..	..	..	334	..	..
China ..	710	1,000	500	550	77	110	
Japan ..	5,700	6,048	1,236	1,830	32	143	
Philippines ..	150	190	184	110	77	86	
Siam ..	100	120	59	84	84	142	
Burma ..	50	67	..	..	..	..
Indo-China ..	266	..	40	97	43	243	
Indonesia ..	211	240	968	..	..	..
COTTON YARN : (Mill Production).							
India ..	527	..	603	554	105	92	The pre-war average refers to 1938.
Pakistan ..	..	..	..	..	..	..	a. Year 1936.
Japan ..	553	..	122	125	23	102	
China ..	894a	..	299	336	35	112	The pre-war average refers to 1938.

INDUSTRIAL PRODUCTION IN ASIA AND THE FAR EAST (Contd.)

—	Pre-war Average 1935-39	Peak Produc- tion	1947	Produc- tion	1948		NOTES
					As per cent. of Pre-war production	As percent. of 1947 production	
	1	2	3	4	5	6	
COTTON FABRICS :							
(Mill production in Million Meters).							a. Year 1936. b. Estimate based on yarn. prod. c. Data in Million square meters.
India ..	.. 3,980	..	3,450	3,960	101	115	
China ..	.. 940 ^a	..	770	860 ^b	91	112	
Japan. c.	.. 2,760	..	550	770	28	140	
GENERATION OF ELEC- TRIC POWER (Million Kw.).							
India ..	} 2,350	..	4,120	4,575	186	114	The pre-war average refers to 1938.
Pakistan		..	..	130	..	..
China ..	.. 3,180 ^a	..	3,120	2,860	91	92	
Japan ..	.. 30,900	..	32,400	34,800	113	107	a. Year 1937.
Philippines b.	.. 145	..	258	364	251	141	b. Manila only.
Japan c.	.. 35 ^a	..	45	44	126	98	c. Bangkok only.

* Refers to war-time peak for Iron Ore and Coal and previous peak in other cases.

SOURCE :—Economic Survey of Asia and the Far East, 1949.

INTERIM INDEX OF INDUSTRIAL PRODUCTION IN BRITAIN FOR JUNE, 1949

The provisional Index of Industrial Production for June 1949, published by the Central Statistical Office, fell to 129 from 134, the revised figure for May; the drop is not unexpected in view of the Whitsun holidays.

The table below shows the provisional figures for June, together with detailed indices of production for May, and also incorporates some corrections to earlier figures based on the latest information available.

(AVERAGE 1940=100)

Standard Industrial Classification Order Number				1947	1948	1948				1949		
				(monthly average)	(monthly average)	2nd quarter	3rd quarter	4th quarter	1st quarter	April	May	June (prov.)
				2	3	4	5	6	7	8	9	10
II-XVIII	All industries	..	..	108	121	121	115	126	128	124	134	129
II	Mining and quarrying	..	..	102	110	112	101	115	117	108	114	110
III-XVI	Total manufacturing industries			109	123	124	118	128	131	127	138	134
III	Non-metallic mineral products											
	China and earthenware	..	..	117	141	143	132	149	152	..	..	..
	Glass	..	..	107	122	123	116	129	141	130	135	..
	Bricks, cement, etc.	..	..	128	150	157	142	147	150	144	161	..
IV	Chemicals and allied trades	..	..	105	120	119	115	124	124	124	128	..
V-IX	Metals, engineering and vehicle trades	..	..	112	127	129	122	131	136	130	143	..
V	Metal manufacture :—Ferrous	..	..	102	116	119	110	121	126	122	128	..
	Non-Ferrous	..	..	113	115	115	110	113	118	105	116	..
VI	Engineering, shipbuilding & electrical goods	..	..	116	136	139	130	139	139	133	147	..
VII	Vehicles	..	..	111	121	124	118	120	142	140	157	..
VIII	Metal goods, not included elsewhere	..	..	104	111	111	103	117	117	102	111	..
IX	Precision instruments, jewellery, etc.	..	..	114	128	125	118	146	140	141	154	..
X, XII	Textiles and clothing	..	..	107	121	122	116	124	131	123	140	..
X	Textiles	..	..	107	126	127	121	132	130	127	141	..
XII	Clothing	..	..	107	112	114	109	114	124	130	138	..
XI	Leather, leather goods & fur	..	..	104	101	91	93	117	95	88	99	..
XIII	Food, drink and tobacco	..	..	101	109	109	106	110	111	117	126	..
	Food	..	..	102	112	109	111	123	117	117	130	..
	Drink and tobacco	..	..	101	106	110	99	114	104	117	121	..
XIV	Manufactures of wood & cork	..	..	97	107	102	106	115	113	112	120	..
XV	Paper and printing	..	..	106	111	108	109	120	137	132	144	..
XVI	Other manufacturing industries	..	..	125	150	150	142	153	147	132	142	..
XVII	Building and contracting	..	..	111	122	120	121	122	120	125	131	..
XVIII	Gas, electricity and water	..	..	103	109	101	95	119	127	107	107	..

DISTRIBUTION OF UNITED KINGDOM TRADE IN THE SECOND QUARTER

Area	IMPORTS (C.I.F.)					TOTAL EXPORTS (F.O.B.), INCLUDING RE-EXPORTS				
	PERCENTAGE OF TOTAL VALUE					£ MILLION				
	Third Quarter 1948	Fourth Quarter 1948	First Quarter 1949	Second Quarter 1949	Second Quarter 1949	Third Quarter 1948	Fourth Quarter 1948	First Quarter 1949	Second Quarter 1949	Second Quarter 1949
United States of America ..	9.04	7.86	10.02	9.95	57.8	4.25	4.25	3.08	2.29	10.2
Canada* ..	10.31	9.78	8.41	8.98	52.2	4.62	4.03	4.25	4.25	19.9
Argentine Republic ..	5.86	6.37	5.04	1.56	9.0	3.31	4.25	3.48	1.23	5.5
Rest of Western Hemisphere (other than Sterling Area countries, but including Japan and Philippines) ..	9.31	7.71	6.00	6.41	37.3	3.84	4.47	4.63	4.85	21.7
Union of South Africa ..	1.59	1.43	1.69	1.38	8.0	7.21	7.34	7.99	9.79	43.8
British Colonies ..	10.49	9.33	11.24	10.88	63.3	12.10	12.21	12.41	12.84	57.5
Rest of Sterling Area ..	23.97	24.69	26.03	26.98	156.9	29.43	28.55	29.67	30.80	137.7
European countries (including their overseas possessions, other than those in the Western Hemisphere) ..	23.83	26.59	25.20	26.58	154.6	29.43	28.87	27.76	28.01	125.3
Other countries ..	5.60	6.24	6.37	7.23	42.5	5.86	5.43	6.13	5.74	25.8
Total ..	100.00	100.00	100.00	100.00	581.6	100.00	100.00	100.00	100.00	447.4

BALANCE OF TRADE

Area	AVERAGE MONTHLY RATE							
	Year		Year		January		Third	
	1947	1948	1948	1949	to June 1949	Quarter 1948	Quarter 1948	First Quarter 1949
United States of America ..	—235.8	—113.6	—84.1	—10.0	—7.5	—12.1	—15.9	
Canada* ..	—193.2	—149.4	—57.3	—11.5	—10.8	—8.8	—10.8	
Argentina Republic ..	—95.6	—69.0	—14.1	—5.6	—4.8	—3.5	—1.2	
Rest of Western Hemisphere (other than Sterling Area countries, but including Japan and Philippines.) ..	—100.9	—93.9	—25.9	—10.9	—6.9	—3.5	—5.2	
Union of South Africa ..	+65.9	+89.5	+64.6	+7.4	+8.5	+9.6	+11.9	
British Colonies ..	—29.9	—12.7	—7.4	—1.3	+1.9	—0.5	—1.9	
Rest of Sterling Area ..	—32.6	—31.2	—18.1	—0.5	—0.7	+0.3	—6.4	
European countries (including their overseas possessions, other than those in the Western Hemisphere.) ..	+12.8	—13.6	—32.9	—0.1	—3.5	—1.2	—9.8	
Other countries ..	+12.8	—37.9	—21.9	—1.6	—2.9	—1.8	—5.4	
Total ..	—596.5	—431.7	—197.1	—34.1	—26.2	—21.0	—44.7	

*The figures for Canada include those for the Province of Newfoundland.

BRITAIN'S IMPORT AND EXPORT PRICES

The Index of import prices showed a further reduction, from 115 (1947=100) in June to 113 in July; this is the lowest figure since April of last year. Prices of food, drink and tobacco imports fell to 109 per cent. of the 1947 level and now 6 per cent. below the peak figure for January. The index for raw materials showed a further fall of 2 points, but prices are still 23 per cent above the 1947 level. The index for manufactured goods fell by 1 point to 110.

Prices of total exports again showed no change; the index numbers for metal goods (113) and for textiles (116) remained at the June level, but then there was a fall of two points in the index for other manufactures.

PRICES OF IMPORTS

	Total	Food, drink and tobacco	Raw Materials	Manu- factured goods
--	-------	----------------------------------	------------------	----------------------------

(1947= 100)

1948 July	..	115	110	126	113
August	..	115	110	126	112
September	..	115	110	125	112
October	..	116	114	123	113
November	..	117	115	123	113
December	..	117	115	123	114
1949 January	..	118	116	124	114
February	..	118	115	125	114
March	..	118	114	127	115
April	..	118	113	129	114
May	..	117	111	128	113
June	..	115	111	125	111
July	..	113	109	123	110

PRICES OF EXPORTS

ARTICLES WHOLLY OR MAINLY MANUFACTURED

	Total	Metal goods	Tex- tiles	Other manu- factures
--	-------	----------------	---------------	----------------------------

(1947=100).

1948 July	..	110	109	108	113	103
August	..	111	111	109	116	109
September	..	112	111	111	115	109
October	..	112	112	111	116	110
November	..	111	111	110	116	109
December	..	113	112	111	117	109
1949 January	..	113	113	112	116	111
February	..	112	112	112	115	109
March	..	112	112	112	116	109
April	..	112	112	112	117	109
May	..	113	112	112	116	108
June	..	113	113	113	116	109
July	..	113	113	113	116	107

BANK OF ENGLAND

Millions of Sterling

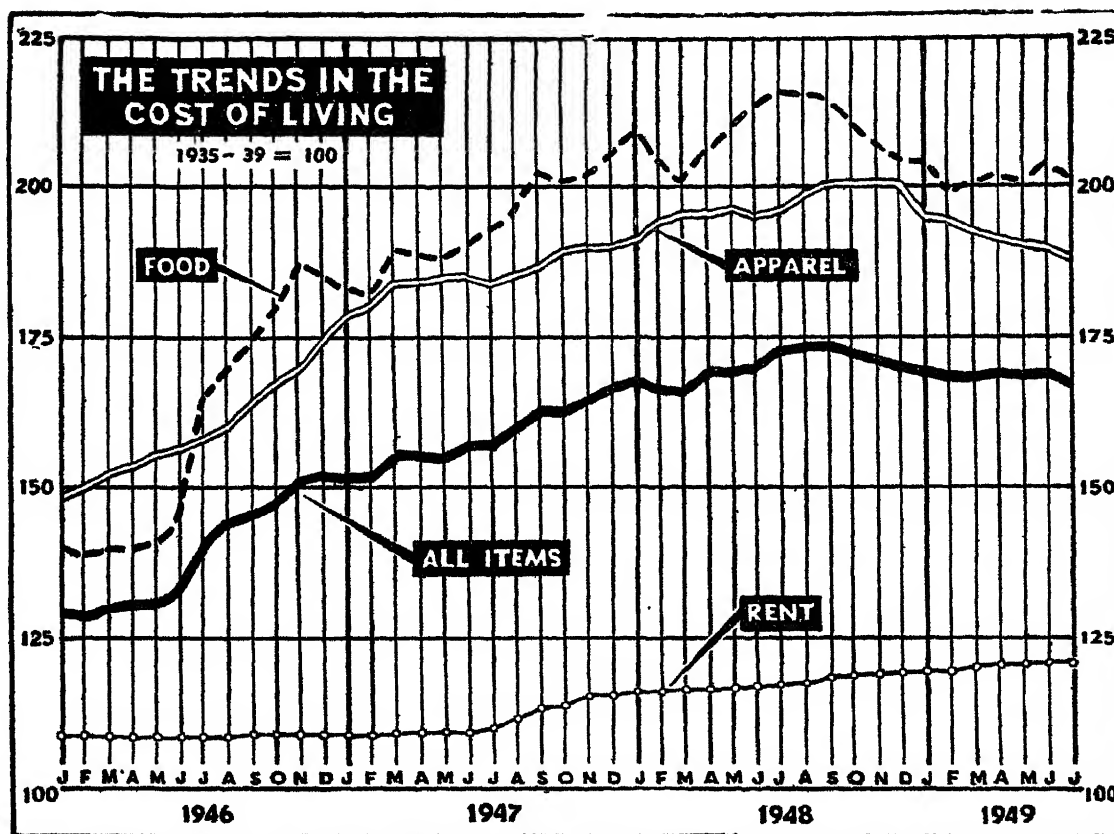
ISSUE DEPARTMENT*							BANKING DEPARTMENT					
Average of Weeks	Notes in Bank- Circulation			DEPOSITS			SECURITIES					Reserve of Notes and Coin
	Notes in	Govt- ment	Public Bankers	Other Accounts	Total	Govt- ment	Dis- counts and Ad- vances	Other	Total			
	ing Dept.	Secur- ities										
	1	2	3	4	5	6	7	8	9	10	11	12
1938-39	.. 484.7	44.6	239.0	18.6	105.1	36.2	159.9	99.6	11.1	21.5	132.2	45.6
1947-48	.. 1,353.1	71.7	1,421.9	12.8	296.0	95.2	403.9	314.5	13.6	21.0	349.0	73.0
1948-49	.. 1,248.9	52.3	1,300.2	27.7	305.8	91.6	425.2	345.6	18.4	24.9	388.9	54.4
July	1948.. 1,273.7	26.5	1,299.2	12.4	307.7	89.9	410.0	361.3	15.3	24.4	401.0	27.3
August	„ .. 1,270.6	29.6	1,299.2	47.9	305.5	89.6	443.1	398.8	7.6	24.4	430.8	30.6
September	„ .. 1,243.0	57.2	1,299.2	65.4	304.8	93.7	463.8	389.1	10.4	24.3	423.9	53.5
October	„ .. 1,234.1	66.2	1,299.2	26.1	302.3	94.5	422.8	321.5	24.5	26.1	372.1	68.5
November	„ .. 1,234.1	66.1	1,299.2	27.7	308.1	94.8	430.6	326.9	25.5	27.1	379.5	69.1
December	„ .. 1,275.7	34.5	1,309.3	25.9	309.5	91.4	426.9	363.8	18.6	24.6	406.9	38.0
January	1949.. 1,245.6	54.7	1,299.3	25.7	313.7	90.8	430.3	342.9	23.1	23.7	389.6	58.8
February	„ .. 1,228.5	71.8	1,299.3	29.0	297.5	88.8	415.3	300.3	31.6	26.2	358.1	75.6
March	„ .. 1,242.0	58.2	1,299.2	27.4	296.4	89.8	413.6	320.2	22.7	27.4	370.3	61.8
April	„ .. 1,275.1	25.2	1,299.2	21.8	294.6	92.4	408.8	353.3	17.4	24.9	395.7	29.4
May	„ .. 1,274.1	26.2	1,299.3	20.6	293.2	88.2	402.0	343.3	20.0	26.4	389.7	30.2
June	„ .. 1,278.4	21.9	1,299.3	28.8	293.8	88.4	411.0	354.2	24.3	24.6	403.1	20.0
July	„ .. 1,293.8	56.4	1,349.2	37.5	293.1	90.4	421.0	335.6	17.0	25.5	378.1	61.1
August	„ .. 1,291.3	59.0	1,349.3	50.9	286.4	89.5	426.9	341.8	11.6	23.0	381.3	63.9

* Gold coin and bullion in the Issue Department has been negligible since September 1939, when practically the whole was transferred to H.M. Treasury. The holding on 30th August 1939 was £263.0 million valued at 158s. 6d. per oz. fine.

† Including Government Debt £11.0 million.

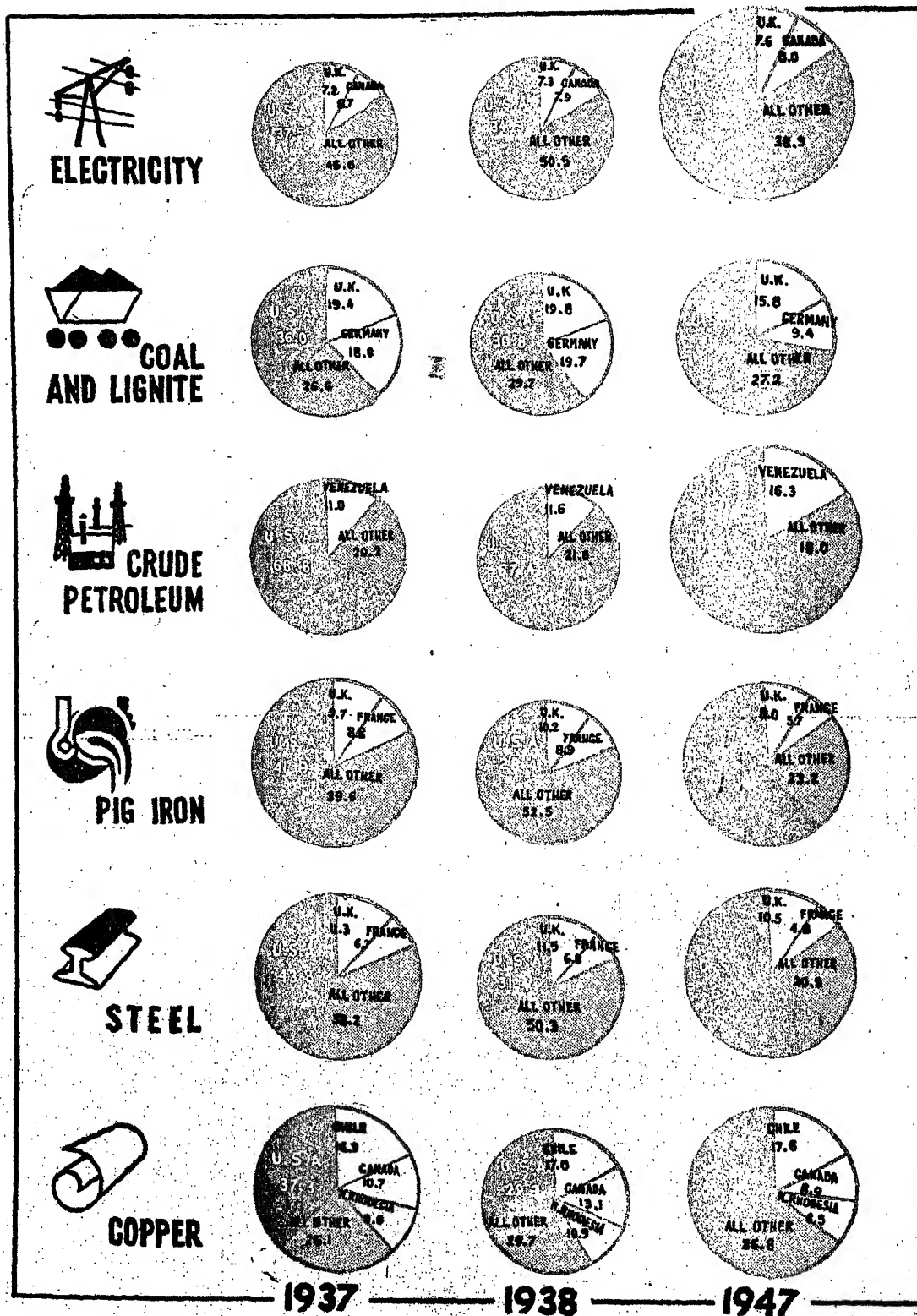
SOURCE :—Bank of England.

COST OF LIVING IN U. S. A.



—The New York Times.

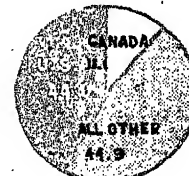
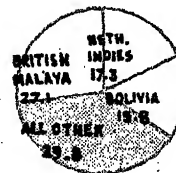
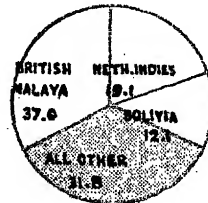
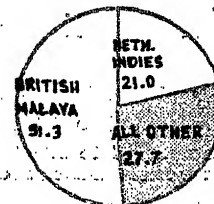
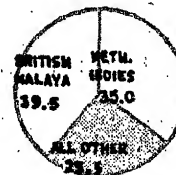
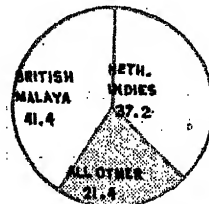
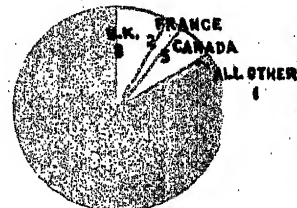
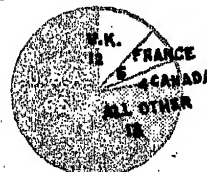
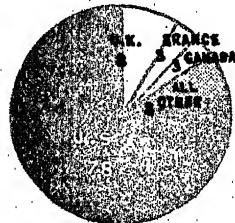
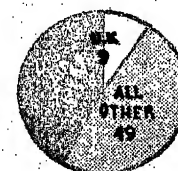
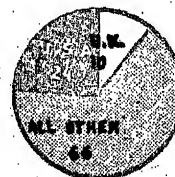
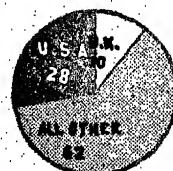
CHANGES IN VOLUME OF WORLD PRODUCTION* OF SELECTED



*Excluding U.S.S.R.

From U.N. Selected World Economic Indices.

COMMODITIES AND IN GEOGRAPHIC DISTRIBUTION OF PRODUCTION

**LEAD****ZINC****TIN****NATURAL RUBBER****MOTOR VEHICLES****CEMENT**

1937

1938

1947

WORLD SUGAR PRODUCTION, TRADE AND CONSUMPTION

(1000 METRIC TONS—RAW VALUE)

		1947				1948			
		Production	Net Ex-ports	Consumption	Stocks at Dec. 31	Production	Net exports	Consumption	Stocks at Dec. 31
Angola ..	..	45	35	10	27	42	n.a.	n.a.	n.a.
Argentina ..	..	606	-12	581	288	565	..	612	250
Australia ..	..	586	53	470	352	914	319	485	448
Azores and Madeira ..	..	6	-1	8	3	n.a.	n.a.	n.a.	n.a.
Belgium ..	..	188	-30	249	91	268	-110	263	207
Brazil ..	..	1570b	62	1385	494	1750b	341	1572	381
British Colonies ..	..	1182	952	174	262	1230	1070	188	218
Canada ..	..	84	-460	586	143	98	-565	662	177
Cuba ..	..	5850	5583	201	358	6055	5916	162	336c
Czechoslovakia ..	..	355	196	381	224	630	143	317	374
Denmark ..	..	225	52	161	175	264	73	175	191
Dominion Republic ..	..	466	462	44	2	421	381	40	2
France ..	..	664	71	770	547	920	-17	861	733
Haiti ..	..	45	26	19	1	41	20	22	..
Mozambique ..	..	80	49	21	33	72	63	24	n.a.
Netherlands ..	..	224	-10	298	145c	281	-112	349	189c
Peru ..	..	482	276	169	79	498	352	177	47
Poland ..	..	564	116	339	373	678	215	406	375
Sweden ..	..	274	-18	279	243	256	-72	319	304
Switzerland ..	..	22b	-204	142	73	29	-196	178	112
South Africa ..	..	474	n.a.	446	204	577	10a	517	242
United Kingdom ..	..	688	-1625	2014	799	579	1347	2097	610
United States ..	..	1958	-5160	6757	1759	1739	4322	6665	1354

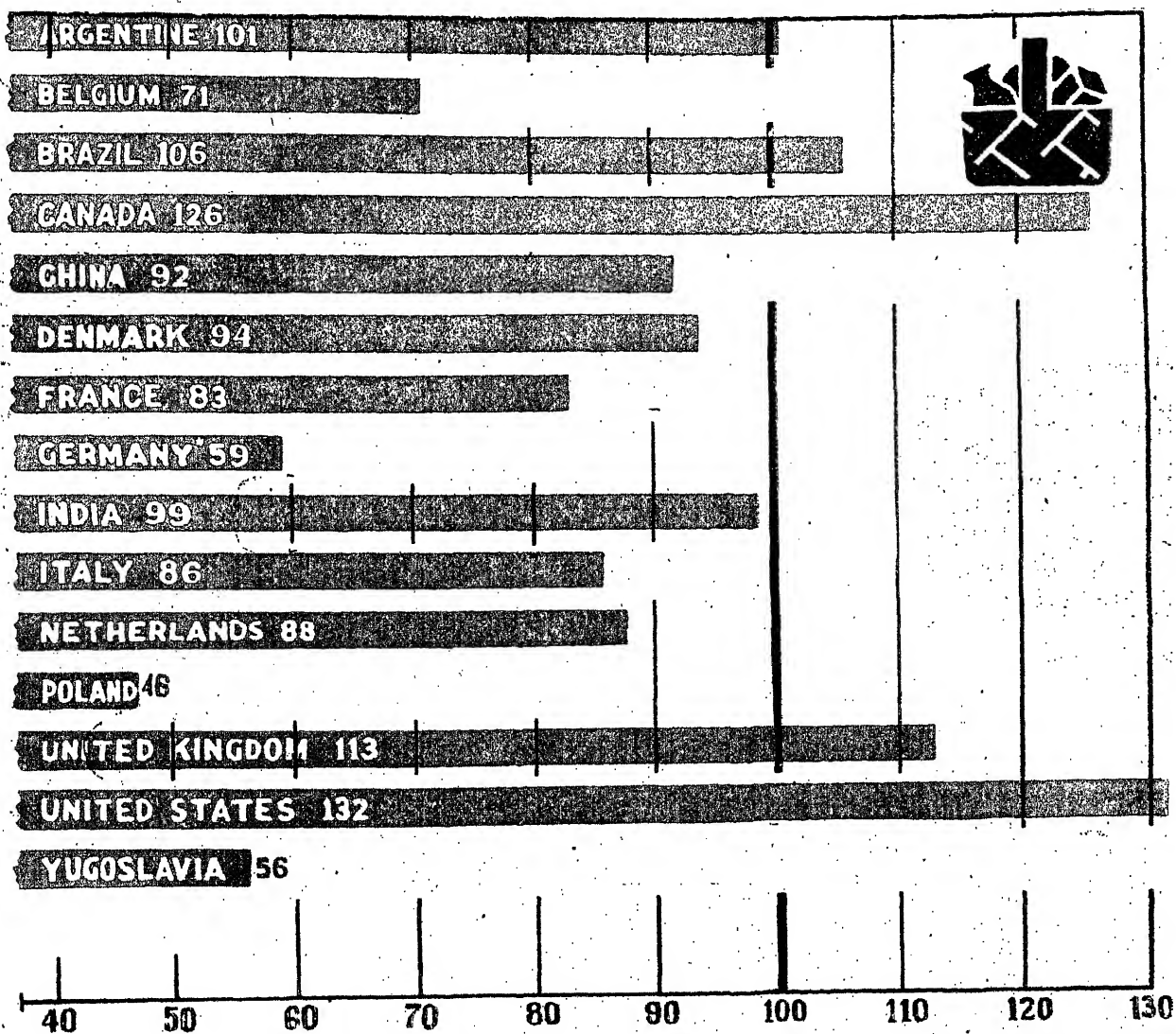
a. Year ending November 30th, b. Provisional, c. As at December 20, 1947 and December 18, 1948.

d. Imports amounted to 1,901,836 tons in 1947 and 1,965,232 tons in 1948.

e. Imports amounted to 5,345,945 tons in 1947 and 4,382,886 tons in 1948. n.a. Not available.

Source. "Statistical Bulletin of the International Sugar Council."

**RELATIVE LEVELS OF FOOD PRODUCTION FOR SELECTED
COUNTRIES (1934-38=100)**



From U.N. Selected World Economic Indices.

The Hyderabad Economic Association

THE FOOD PROBLEM OF INDIA

UNDER the auspices of the Hyderabad Economic Association Mr. Ramanand Misra, a well-known publicist of Bihar, spoke on the Food Problem of India. Mr. B. Ramakrishna Rao presided. The following is the full text of the speech :

MR. PRESIDENT, LADIES AND GENTLEMEN :

The food problem has become one of the most important problems of this country. I would like to tell you that it is more than one hundred years since this malady has been growing slowly and steadily in the life of India.

The earliest figures that we have got are of 1880 and even at that time our Economists were not sure that it was completely self-sufficient. Of course, the situation then was much better. It has been growing worse and worse because the population has been rising steadily and the production has not been keeping pace with the rise in population. Figures since 1911, show that our population has been rising, say at the rate of 14 per thousand per year, *i.e.*, about 50 lakhs of people are born every year in India. But the land of India has refused to give even one maund more per acre. In 1911, the total cultivated area in India was roundabout 20 crore acres. Now the population has increased so much, but the total cultivated area is not more than 21 crore acres. If you calculate the per capita acre from 1911 to 1941, you will find that it has been going down. In 1911, it was .9 acre per capita. Now it has gone down to .7 acre per capita. This figure will make it clear to you how the situation has been fast deteriorating. So, it is not correct to say that it has become a deficit; rather it has been a deficit, it is and perhaps it will remain so for some years to come. We must realise this fact to grasp the food problem of this country in proper perspective.

"Now I would like you to understand the magnitude of the problem at present. The

Government of India has given the calculation that there is an annual deficit of 4 million tons. This 4-million deficit is entirely based on the rationing requirements of the various cities and towns of India. There are two views. On the one hand there are those who hold the view that there is no deficit at all. It is simply a magnification of the fear psychology. They would try to prove it to you by several calculations that there is nothing like a deficit. I have gone through one of the calculations of a professor of the University of Bombay, and I would just like to tell you how he has come to this conclusion. He roughly calculates like this—deduct 20 per cent. from the total population under the heading of "non-adults." Now I will argue, is it fair to put 20 per cent. of the population absolutely under this head? Do they live simply on air and water? Of the rest, *i.e.*, 70 per cent. on "farm ration," and the rest of the population is put under "12 ounces per day." Now 12 ounces per day will be sufficient for a city man. But for a worker on the land, 1 lb. will be enough for only one meal. Go to any village; just have a talk with a peasant. He will tell you that he cannot work on the field with 1 lb. of grain per day. On this calculation, he comes to the conclusion that the total food requirements of India is 40 million tons. According to the Government of India there is a total deficit of 4 million tons. But I personally hold the view that all of them are wrong. The deficit will go down to about 10 million tons, *i.e.*, according to my calculation, the total requirements of the rural and urban populations of India for purposes of food are 50 million tons.

"Accepting for the moment the estimate of the Government of India, *i.e.*, 4 million tons deficit, what are we going to do? How will the Government of India meet this deficit? You will find they have been trying to import grains at heavy cost from Canada, from Argentine, from Australia and from other places and they

have been paying to the foreign countries sums to the tune of 250 crores per year on this account. Apart from the heavy cost this means one of the biggest drains on the foreign exchanges. The whole foreign exchange has become tied up. If you go to Cuttack, you will find a big cotton factory lying idle there for the last four years without any machinery. The capital is there but the Managing Directors are not getting the foreign exchange to import the machinery. In Bihar you will find the same thing. Because of this heavy drain on the exchange capacity of our economic structure the problem of food deficit is not only that of meeting the food requirements of our country but it is also of protecting our economic structure. Unless you solve it quickly, I fear, within two years, India will go bankrupt. As regards Foreign credit, the Governor-General, H.E. Sri Rajagopalachari has said only a few weeks back in one of the radio speeches that within three years this problem of foreign exchange will terminate automatically. I fear it may be earlier than that. In this year the sterling balances have gone down by 585 crores and the Government of India has brought down its balances of the Reserve Bank of India to 800 crores. Even our staying in the Commonwealth will not help us much and I do not hope that there is any chance of getting liberal foreign exchange. Pandit Nehru's visit to America may bring out some results and the Indian capitalists are counting on that.

"Capital formation has stopped. This phenomenon, no economist, no financier, no businessman, has been so far able to explain. But all of us are aware that suddenly capital formation has stopped. Where has it gone? They have lost the security. The fact is this. Industrialists say that they will need at least one billion dollars. My conclusion is this—even this is an under-estimate. Even the Indian capitalist will need at least five billion dollars, if the industry of the country has to progress at a proper rate.

"Since a few years there have been some changes for the worse, I mean, through partition. You will find that that part of India which has now

gone to Pakistan used to produce something like 24 per cent. of total food produce. But the population has gone only by 19 per cent. Thus we have lost about 5½ per cent. in all by the division of this country into two parts. That is one cause of food deficit. Taking the food productivity of India as ½ ton per acre, we would require at least 12 million new acres of land to produce these 4 million tons of foodgrains. That is the minimum requirement. If you want to produce these 4 million tons entirely from the reclaimed land, we need about 1½ to 2 crores of acres of new land to be brought under cultivation. To my mind that is the only proper course. The other course is there, *i.e.*, intensive cultivation and the Government of India's promise of making India self-supporting by the end of 1951 is entirely based on that basis.

"Now let us take point by point. First of all they base their calculations mainly on increase by intensive cultivation. They had calculated that in the coming three crop seasons they would increase from this head, *i.e.*, by "intensive cultivation," 2.7 million tons. If you study what they mean actually by "intensive cultivation" you will come to the conclusion that it can only be possible on the irrigated areas. The non-irrigated areas do not respond much to the treatment of manuring and other things. It is mainly the irrigated areas that respond to manuring and other treatments. The total area under irrigation is less than 12 million acres. So this increase of 2.7 million tons will amount to an increase of 20 per cent. in the production in the coming three crop seasons. I boldly say that is impracticable.

"Let us try to understand how the other plans can now give us the balance of 1.3 million tons. The next item is of reclamation. You will be surprised, some of you may laugh, that the total target figure of the Government of India is only 8 lakh acres. Now look at the figure of the total cultivated area in this country, *i.e.*, 210 million acres. Compare this figure of 8 lakh acres with the total cultivated area. What a relation it bears? It is roughly ¼ per cent. That is their

idea of making up this food deficit. But even 8 lakh acres of land at the rate of not more than $\frac{1}{2}$ ton per acre will not give more than say $2\frac{1}{2}$ lakh tons. What happens to the balance of 1 million tons? This the Government of India is expecting to get from electric tube wells.

"It is beyond the capacity of the Government of India to put the electric tube wells scheme in operation in the coming 18 months and expect the new lands so affected to give about 1 million tons. Thus, if the Government of India persists in its plans and programme, India will not be self-supporting in the matter of food deficit.

"There is only one solution. That is of bringing at least $1\frac{1}{2}$ to 2 crore acres of new land under cultivation. This has to be done at any cost. I do not suggest that we should not work for intensive cultivation in the irrigated areas or in other fields. Of course, that must go on simultaneously, but it will take some time for the results to come. We must make some allowance for that. So keeping that increase from intensive cultivation as security against fluctuations in the weather against ups and downs in the production, I would like the nation and the Government of India to concentrate on bringing $1\frac{1}{2}$ to 2 crores of acres of new land under cultivation. How can this be done? There cannot be only one method. The nation must concentrate all its attempts. We have suggested to the Government of India to raise a land Army of 2 million strength, to be fed, paid and maintained by the Government of India and put all the available tractors and bulldozers on the job. Europe may not like to give you more than 100 or 150 tractors. As a matter of fact, America has not given you more than about 80 tractors per year. So, if you depend upon more tractors and bulldozers, you will never solve this problem. I would suggest to the Government of India to put pressure first on our Jamshedpur Iron Factory to produce ordinary spades, country ploughs and whatever they can. There are thousands of tanks and you know every tractor can be changed into a tank, and every tank can be changed into a tractor. We can

transform our tanks into tractors and put them on the field. I would ask our shining Embassies to exert all their pressures in the foreign capitals to get as many tractors and bulldozers as they can. Let us put our efforts on every side and concentrate all our energies on bringing $1\frac{1}{2}$ to 2 crores of acres of land under cultivation. That is the solution, and I once more repeat that if the nation and the Government do not concentrate on the problem, India will yet remain for decades to come a deficit country.

"Now look at Hyderabad. From one point of view you are fortunate. The density of population here will come round to about 198 per sq. mile. Compare this figure even with ours. I come from North Bihar. In North Bihar the density of population comes up to 1,200 persons per sq. mile. You can imagine the burden on the land in North Bihar. From 1,200 persons per sq. mile you have here 198 persons per sq. mile. Any Government, of course, given a little time, scope, etc., can make this Hyderabad a kind of heaven with about 3 crores of acres of land available for cultivation. Perhaps this is the only province in India which has the figure 80 lakhs of acres fallow. I do not know why Hyderabad has such a large figure under the heading of fallow land? There is no reason why these 80 lakhs of acres of land cannot be brought under cultivation immediately within the next few months. Remember they are not new lands; they are lands that were under cultivation but have gone out of cultivation since last four or five years for one reason or another. Whatever you may do to bring under cultivation either the cultivable waste or whatever area you like, you must bring about $1\frac{1}{2}$ to 2 crore acres of land under cultivation. This is the only remedy for the solution of this problem.

"I will take another controversial problem, the problem of food prices. Well, that problem you must understand in all its bearings, otherwise, I fear you may be carried away by the capitalist propaganda that is going on in this country since last year and a half. They have

been telling us repeatedly that it is the agriculturist class that has benefited much during the war years. They will place before you the index prices of agriculture, of industry and of other things and they will fling at your faces: Look here, the agricultural price index is 455. How do you explain this? Every peasant has become a rich man. Further, theoretically agriculture is the industry where the law of diminishing returns applies practically at the end of a year, while in industry you have the law of increasing returns. That means with the rise of the population the prices of agricultural produce rise and the prices of industrial produce go down. That is the natural working of the law of supply and of demand. But look at the price trends of the last 150 years and you will find that the contrary is the result. The population of the world as a whole has been rising at the rate of $1\frac{1}{2}\%$ per annum and agricultural prices also should have risen. But has that happened? Eversince industrialisation started we had the reverse process—that process has been continuing and it is still in force. The standard of living of the common agriculturist worker or peasant is 50 per cent below that of a wage-earner. We find the same phenomenon in America, England and India. The standard of living of the rural population is lower comparatively than that of the industrial worker. Why has it happened? What has happened to the law of diminishing returns and the law of supply and of demand and to the rise of population? I will boldly assert that the laws of economics have not been allowed to function. The capitalists have purposely kept down the agricultural prices. When I say 'kept down' you will quote the market figure of 10 maunds per rupee of 1840 and the present rate of 2 seers per rupee of 1948. Please remember when I say 'keeping down of prices' I do not mean absolutely, I mean relatively. There is a vast difference between 'absolute rise' and 'relative rise.' The prices may rise absolutely but still while rising 'absolutely' they may be going down 'relatively.' What I mean by 'relatively' is the co-relation with the prices of agricultural goods and industrial

goods. Suppose wheat is selling at 5 As. per seer and standard cloth is selling at 8 As. per yard. The relation now is of 5 : 8. That is called the 'co-relation' *i.e.*, relative relation. Now, if the price of wheat goes up to 10 As. per seer and the price of standard cloth to one rupee per yard, both the prices have risen absolutely. There has been rise but their co-relation remains the same. There is no change. But if one rises by 100 per cent and the other by 50 per cent then their co-relation rises by 10 : 5. Thus the prices of agricultural products have been going down 'relatively' and not 'absolutely.' No economist can explain this phenomenon of the relative going down of the agricultural prices in spite of rise in population and the operation of the law of Diminishing Returns. The agriculturists never got just prices. In the year 1928-29, the total value of agricultural products was 10,300 million rupees. The next year 1929-30 it suddenly fell down to 4,730 million rupees *i.e.*, a downfall of 55 per cent. Every agricultural worker suddenly found that his income has gone down by 55 per cent. That was the reason, why the total indebtedness began to jump in geometrical figures. Between 1930 and 1938 it became an astronomical figure for the ordinary peasant of India. When the Second World War began, it had not yet completely recovered from the disastrous effects of 1930 crisis. During the first $3\frac{1}{2}$ years of the Second World War, the prices of other things were rising slowly and gradually, but the prices of agricultural production were not allowed to rise by the Government of India. In 1941-42, the total value of the food products of India was Rs. 8,362 million. The figure for 1942-43, *i.e.*, the next year, goes up to Rs. 17,000 million. It suddenly jumps from Rs. 8,000 million to Rs. 17,000 million. In other words, the first $3\frac{1}{2}$ years of war brought no benefit to the Indian agriculturists. The prices were allowed to rise only after 1943, and since then they have been rising. There is no doubt that food prices have risen since 1943, but I entirely differ from the magnitude that the economists want to make out of it and the conclusion of it. First of all please remember that

the latest figure for 1947-18 is Rs. 19,000 million. That is supposed to be the total value of agricultural products. In industry and agriculture there is one more difference. In a factory producing dhoties, cotton cloth, etc., the total produce comes to the market. What happens in agriculture? Nearly 2/3rd of the total produce is consumed by the producer and only the balance comes to the market. Even then the agriculturist does not himself come to the market. He sells it on his own land which is called 'advancing'.

"Please remember that of the total population of cultivators 68 per cent. are landless. They can neither gain nor lose by the rise or fall in price. Only 32 per cent. has got some land. This 32 per cent. is divided into three groups: rich peasants, middle peasants and poor peasants. Poor peasants are those who have less than 5 acres. Their number of this 32 per cent. is 50 per cent., i.e., of the total agricultural population, about 20 per cent. Obviously, they cannot sell any extra. The middle class peasants are those who have about 25 acres of land. Their number is 30 to 40 per cent. of the 32 per cent. of the land-holding class. Of course, some of them who are on the average standard can spare some foodgrains for sale in the market. I call rich peasants those who have more than 25 acres. Their number is not more than 5 to 10 per cent. of the land holding class, i.e., 32 per cent. of the total agricultural population. This class have indeed benefited from the rise of food prices. So I contend that whatever the rise in the agricultural prices, the benefit has gone to not more than 5 per cent. of agricultural population. Take another class, the class which you call in Hyderabad 'Shikmi.' Under this class come those who cultivate the land but have no right over it. The number of this class is 36 per cent. of the agricultural population. These people who practically produce 60 to 70 per cent. of the total produce have not gained anything. Bearing this in mind, I request you to accept my figure that not more than 5 per cent. of the agricultural population has benefited from the rise in the food prices.

"Till October-November 1947 the rise in the prices of agricultural raw materials lagged far behind the rise in the prices of manufactured goods. Taking an instance, the index No. of jute—I mean raw jute—was 113. It rose to 198 in 1946. There was a rise of about 80 per cent. Look at the figure of the manufactured jute. The index number in 1942 was 132. It rose to 253 in 1946. The difference here is 120 points. When the prices of raw jute rise by 80 points the prices of manufactured jute rise by 120 points. Similarly, the prices of raw cotton rose by about 60 points while the prices of manufactured cotton rose by 40 points. Similar is the story of sugarcane and of other raw materials that are used in industries as raw materials. Why was it so? Simply because the purchasers of these raw materials were the capitalist class of India who wanted them for their factories. They could keep down the prices. They were organised. They could pool the resources. But these poor cultivators were neither organised nor had the resources to resist the temptation of selling cheap. In C.P. and other places the cotton crop is sold while standing in the field. This is called 'advancing.' You all know how injurious this 'advancing' is for an agriculturist. This rise in the prices of manufactured goods which you find these days in the market and the bringing down of the prices of agricultural goods has no relation to facts and logic. The capitalist class wants to resist the demand for higher wages on the one hand by bringing down the prices of agricultural products and on the other hand by throwing large numbers of industrial workers out of employment. That happened in Sholapur, Ahmedabad and in other places. Lowering down of prices is absolutely necessary for middle class and for other people.

"Some of the economists who are alive to the group of Eastern Economists have been telling us that the shift in the national income has been largely in favour of the agricultural producer. According to their own calculation the total value of agricultural produce comes to Rs. 19,000 million. Even by this figure the annual shift in

the national income is a shift of 6 per cent., *i.e.*, Rs. 270 crores. About index prices I have a very serious complaint to the economists and professors of this country. Read any weekly journal. You will find the index price starts from August 1939 as 100. Taking 1939 basis as 100, the food prices have 455, industrial prices 420 and so on. This calculation with the August index of 100 has not been fair. Where was wheat in India selling at Rs. 2-8-0 per maund in August 1939? In no market of India it was below Rs. 3-8-0. This basic difference of one rupee at the very basic calculation of index will amount to a difference of 40 to 60 degrees in the index numbers of later calculations. These are tricks of calculations and I will again request and hope that our intellectuals will not indulge in such tricks. If you give allowance to this great error, you will say that all this talk of rise in food prices falls down much lower. Keeping all these things in mind I hope you will agree with me that 90 per cent. of the agricultural population has not at all benefited. Even if they have benefited they have not benefited to the extent that these capitalists want us to believe. I will again remind you that we must stand for in any attempt of unilateral lowering down of agricultural prices because that will have a very adverse effect on the production of agricultural goods in this country. As the subject was very tedious and from my point of view a very important one I wanted to make you all acquainted with some of the basic facts and figures of the food problem of this country."

DEVALUATION OF THE POUND AND THE INDIAN RUPEE

Under the auspices of the Hyderabad Economic Association a meeting was held under the chairmanship of Mr. L. N. Gupta, President of the Association on Saturday, 8th October, 1949 at 5.30 P.M. at the Salar Jung Hall, Nizam College, when the subject of devaluation of the Pound Sterling and the Indian Rupee was fully discussed.

Mr. L. N. Gupta introduced Professor Kishen

Chand and asked him to initiate the discussion.

PROF. KISHEN CHAND :

Prof. Kishen Chand traced the history of the Indian Currency from 1931 and pointed out that with devaluation, the price of gold has gone up to 249 sterlings per fine ounce troy while in rupees it is Rs. 166, thus maintaining the ratio of one shilling six pence per rupee. The par of exchange with the dollar is £1 equals 2.80\$ and 100 \$ equals Rs. 476-2-0 as the dollar price of gold has remained unchanged. The speaker next explained the significance of the values of currencies in terms of gold in international trade and stressed the fundamental principle that every nation must balance its international account. For internal payments the Government may carry on temporarily by the printing of notes, but in international adjustments after the hoax of German Marks no nation can carry on with paper currency. At present, barring the countries under Russian influence all countries have linked their currencies either with the Dollar or with Sterling. Before the war with easy convertibility between Sterling and Dollar it amounted to one international currency, but now the problem is complicated by the presence of two currencies which are not easily convertible. This means that first the balance of trade is struck between Dollar and Sterling countries separately and then the final account is settled between these two currencies. As a direct result of the last world war the economy of Europe has completely broken down. Over 50 per cent. of her industry is destroyed and the Agricultural production has gone down by at least 25 per cent. The European countries which were at one time exporting countries are now large importers of manufactured goods, raw materials and food from U.S.A. Thus there is great demand for Dollars. Besides this, Great Britain incurred huge debts particularly in Empire countries like Canada, Australia, India, Burma, Ceylon and Egypt which are generally known as Sterling Balances. These countries also want to utilise these balances for their purchases in Dollar Area; this has further added

o Dollar shortage. Nearly two years back Britain was advanced a loan of 3,700 million dollars to cover these shortages during the next four years, but the gap was so large that the loan was drawn in one year only. From the beginning of this year the shortage of dollars had become very acute and some action was urgently necessary.

The balance of trade must be set right and as a creditor country U.S.A. suggested and almost insisted on devaluation. At present the economic policy of U.S.A. holds the key to the solution. They have exportable surplus of all kinds of manufactured articles, raw materials and food. The output is so great that the wheat surplus has to be stocked in the open, but it cannot be exported below a certain price guaranteed to the farmer by the American Government. Against this exportable goods the import requirements of U.S.A. consist mainly of rubber, tin, hides, jute and a few highly technical instruments. There is also some import of motor cars from Britain. Against all manufactured articles there is a big tariff wall which almost shuts them out. This means that the exports are far in excess of imports as will be clear from figures given below :

Balance of Trade U.S.A.

Millions of \$ U.S.

—Imports Exports Balance

1938-39	..	1980	2968	+ 988
1946-47	..	5225	11044	+ 5819
1947-48	..	6115	14162	+ 8047

American production is at such a high level that any diminution in demand will cause a big slump and result in unemployment and hence America has adopted the Marshall Aid programme for in spite of American tourists spending lavishly in Europe and considerable sums being spent in Palestine and other such areas Europe as a whole could not afford to pay for her imports. By this great gesture of goodwill the American Government pays for these goods from the money collected from the tax-payer and industry and gives it as a gift to Europe. The devaluation of sterling will partly compensate for this philan-

thropy. The imported goods into U.S.A. will come in at a cheaper price or in other words America will get more goods for the same number of dollars. The American tourists will have to spend less number of dollars so that a larger number of her citizens can see the world for the same amount of dollars. Her export trade would have been affected by the increase in the price of dollars, but she holds more or less monopoly in most goods and the reduction of export trade will not be more than 10 per cent. Her Marshall Aid will continue which will maintain her industrial output at the same level. As a net result, U.S.A. and other dollar countries will be the gainers by this devaluation.

In international trade there is always balance of trade and as the Dollar countries are going to gain, the sterling countries must lose by devaluation. Let us examine the trade of England and India in detail and see how devaluation will affect their economies. The principal exports of U.K. are machinery especially textile and others, motor cars, motor cycles, cycles, textiles both cotton and woollen and chemicals. She also exports coal and iron to some extent. Over 80 per cent. of this export trade is carried on with Empire countries and other sterling areas and only 20 per cent. goes direct to dollar areas. Devaluation will not affect the trade with sterling area, but it may stimulate the trade with dollar countries and it may result in an increase of 40 per cent. so that from 20 per cent. it may go up to 28 per cent., but it will be nullified by devaluation and the dollar earning will remain the same. As the cost of raw material imported from dollar countries will increase the price of manufactured goods will have to be raised. I expect an increase of 10 per cent. in the export price of British goods. But as stated above due to devaluation it may not lead to any increased dollar earnings. The principal effect of devaluation will be in reduction of imports from dollar countries. Greater effort will be made to get the same things from sterling area. All food is imported by U.K. from North and South America. Some wheat could have been imported

from Australia, but the Australian government is basing its price of wheat on gold price and hence the sterling price of wheat will go up. If India and Ceylon demand higher prices for tea, coffee, tobacco, oilseeds and hides, U.K. will not gain anything by devaluation. The cost of living in U.K. is bound to go up by at least 10 per cent. In the long run devaluation does not help any country. Now in the case of a British worker, his cost of living will go up due to devaluation and if his wages are not increased to encourage export trade by maintaining the prices of exportable goods, in effect it will mean that his wages have been reduced. It would have been far better if there was no devaluation and

prices were reduced by cutting down cost of production. Indirectly it may lead to lowering of wages, but a direct reduction would have meant strikes. National welfare schemes are very essential and government should continue them, but taken as a whole, the standard of U.K. labouring class is more than what can be justified by national income. No amount of numerical jugglery can increase the national income, and maintaining a standard higher than that justified by it will lead to national borrowing. The import and export figures for the years 1938 1947 and 1948 of U.K. given below will further elucidate my point :—

BALANCE OF TRADE IN MERCHANDISE—U.K. IN MILLION £ STERLING										
Year	FOOD			RAW MATERIAL			MANUFACTURED ARTICLES			Total
	Imp.	Export	Blee.	Imp.	Exp.	Blee.	Imp.	Expt.	Blee.	
										858.2
1938 ..	417.8	35.9	—381.9	218.0	56.9	—161.1	215.2	265.2	150.0	470.8
Total										— 387.2
										1728.3
1947 ..	797.8	64.7	—733.1	517.6	34.2	—483.4	390.7	998.9	608.2	
										1137.12
Total ..										— 591.
										2015.0
48 ..	877.9	94.0	—783.9	639.4	67.5	—571.9	474.3	1377.9	908.5	
										1583.3
Total										— 431.7

It will be seen that the price of manufactured articles has gone up tremendously. This means that U.K. is charging a high price for its goods and maintaining a high standard of living. In the past this unfavourable balance of trade was overcome by profit on investment in foreign countries, earnings of mercantile marine and the money sent by Britishers resident in the Colonies

as home remittances. Now the income from foreign investment has gone down considerably. If the sterling balances of India, Pakistan and Egypt are also settled by the appropriation of British capital in India, etc., U.K. will have to balance her trade by either exporting more goods by reducing prices or import less food and raw materials. In either case the artificially

high standard of living will have to be reduced. If U.S.A. wants to help U.K. and make her the bulwark of western European defence she must shoulder the burden of sterling balances so that U.K. starts with a clean slate. Devaluation is a natural consequence of the unfavourable trade balances in India. The national income of India has not increased much. The output of industries and mining has gone down and more people are employed in it which means that the per head income under this item also has gone down. Hence the crying need of the hour is more production and better distribution. In agriculture and industry our Government should carefully examine and find out the methods most suited to our conditions. India has great natural resources, a large consuming market so that we can really aim at self-sufficiency. By this I do not mean that we will have no import and export trade but the trade will not be an important factor of our economy. Our essential needs are food, clothing and housing and in all these items we can easily become self-sufficient only if we have a planned economy suited to our needs.

PRINCIPAL IMPORTS AND EXPORTS INTO INDIA IN CRORES OF RUPEES, IN THE TWO MONTHS OF APRIL AND MAY, 1949

<i>Imports.</i>	<i>Items.</i>	<i>Exports.</i>
15.01	Grain, pulses and flour	.. ..
17.85	Machinery	.. ..
12.86	Raw cotton	.. 3.30
..	Raw jute and Jute manufac- ture	.. 20.69
15.38	Textile yarn and cloth	.. 5.51
10.02	Oil and Petroleum products	.. ..
6.76	Vehicles and cars	.. ..
5.25	Metals	.. ..
4.26	Chemicals and Drugs	.. ..
6.84	Hardware and Electrical goods	.. ..
2.67	Paper	.. ..
..	Tea	.. 8.24
..	Spices, Seeds and Tobacco	.. 4.93
..	Gum, Resin and Lac	.. 1.33
..	Leather	.. 3.06
18.86	Others	.. 13.28
115.77		60.34

DIRECTION OF TRADE IN THE TWO MONTHS OF APRIL AND MAY, 1949

(In crores of Rupees)

<i>Imports</i>	<i>Countries</i>	<i>Exports</i>
34.25	United Kingdom ..	.. 15.94
4.79	Pakistan ..	.. 3.23
3.12	Australia ..	.. 3.29
..	Ceylon ..	.. 2.16
4.76	Kenya, Bahrain and Strait Settlements ..	.. ..
4.96	Burma.. ..	.. ..
6.47	Egypt ..	.. ..
5.30	Iran ..	.. ..
3.53	Italy ..	.. ..
..	France ..	.. 1.57
17.72	U.S.A. ..	.. 9.18
1.42	Canada ..	.. 1.22
10.85	Japan ..	.. 1.28
3.37	Argentina ..	.. .66
15.23	Miscellaneous ..	.. 21.81
115.77		60.34

These figures show the trend of trade and it will be seen that our principal exports are jute and jute manufactures, tea, spices, tobacco and oilseeds. In most of these goods our pre-devaluation prices were either monopolistic or competitive with world prices. Besides the quantity of export was not restricted due to competition but solely due to our productive capacity. In such a case devaluation is only going to harm our interests and will mean less money for our exports. At least in the case of Jute our Government has levied an export duty to counter-balance this loss. The export of cloth and yarn is offset by three times its import. We should immediately stop all import of cloth into India. Our mills are idle as the stocks have accumulated and we are spending away our resources in import of cloth. If all the mills work three shifts, we would be able to produce enough for our requirements leaving a sufficient exportable surplus for Middle East, East Africa, Burma, Malaya and Indonesia. Our export trade of textiles alone should be of the tune of

150 crores per year. In the matter of imports, if we had not devalued, all imports from sterling area would have been cheaper and those from dollar area would have remained constant. The loss due to devaluation is obvious. It seems that our Government is solely influenced by consideration of sterling balances. If we had not devalued our sterling balances which stand at £600 million equivalent to Rs. 800 crores would have dropped to £550 crores. These balances were accumulated during the war years by the sacrifice of our people in supplying goods at pre-war prices. These balances must be settled at the same price level. It has often been suggested in our legislature that these balances should be adjusted by the appropriation of British capital invested in India. As time passes, price level is going up and we are getting less for our money. Besides this, British investment in India is earning at least 6 per cent. dividend which means nearly Rs. 48 crores annually, while the Reserve Bank of India gets only $\frac{3}{4}$ per cent. *i.e.* 6 crores rupees annually. We are losing over Rs. 42 crores every year and there is absolutely no reason for our government to agree to such an arrangement. When the question of sterling balances is settled, there is no need for devaluation and if a little stimulus is needed to expand our exports the value of the rupee as compared to dollar may be fixed at 27 cents U.S.A., *i.e.*, a ten per cent. devaluation. By our present devaluation of 30 per cent. we are only helping U.K. to tide over her difficulties which are due to her abnormally high standard of living. It will be seen that our imports of vehicles and oils is a big item. It is surprising that a big country like India has no motor car factory. Our Government has given licences to several companies to assemble cars in India. This does not benefit us as the price of parts is nearly equal to that of the complete car. Motor car industry is very essential for the progress and defence of any country and should be immediately set up.

Our balance of trade is unfavourable due to the import of foodgrains. It has been contended by

several members in the Constituent Assembly that our food production is sufficient for the needs of the entire country. The deficiency is due to loss in storing and bad distribution. Further the present system of procurement is strongly opposed by the cultivators who very reluctantly sell their bad stock to Government. If the system of land revenue is changed from taxes in money to taxes in kind and if the assessment is approximately one fifth of the produce, the provincial Governments will get enough fresh food grains to feed the entire urban population. The price of this food grain can be fixed at 75 per cent. of the present rationed prices which will mean twenty-five per cent reduction in food grains. This will lead to substantial reduction in the cost of living and dearness allowance can be cut by 50 per cent.

In conclusion it will be clear that the solution of our economic ills does not lie in devaluation but in the settlement of sterling balances and the adjustment of internal economy. Devaluation is going to definitely harm our country.

Mr. Allen:

Mr. Allen addressed the gathering and pointed out that the effects of devaluation are yet to be awaited.

Mr. Balwant Singh:

The main cause why England devaluated her currency is the flight of dollar and depletion of the Central Dollar and Gold Reserve of the Sterling Area. The Reserves were reduced 20 per cent. below the minimum level of safety; The Government of India while following suit assured the people that the cost of living need not go high. But it is doubtful whether the present level of prices can be maintained. There is a general feeling that the devaluation coming at this time when the country is in the grip of inflation is certainly very bad. To avoid this step would have been detrimental to the country, jinked as our currency is with the British pound, and as 75 per cent. of our exports were ordinarily to Sterling areas. If India failed to devalue

our export trade to the soft currency area would have greatly diminished and would have been perhaps completely wiped out. Indian piecegoods will have to compete with Lancashire in Sterling areas. So also tea, which was another dollar earner will have to compete with Ceylon. India could not afford to take the serious risk of being pushed out of world markets. Without export we cannot have any imports and promotion of exports became a necessity. We have only to consider the effects of devaluation on the country's economy. These are mainly three and I will detail them :—

1. Our foreign exchange budget is no longer balanced. There is a considerable gap to the extent of Rs. 28 crores on hard currency account. Pakistan's decision not to devalue her Rupee will put an additional burden of Rs. 30 crores. Our exports cannot be expected to increase adequately so as to offset this heavy deficit. Our immediate position has thus become very much worse by devaluation and we do not see any silver lining in the horizon regarding our future.

2. The second effect is one of inflation. The cut in dollar import will imply less of food, shortage in steel, cotton and capital goods. The restriction of raw material and capital goods, will affect our production programme adversely. Cotton, for example, is in short supply in the sterling area and will have to be procured from U.S.A. If we curtail its import we will be curtailing our production and income, and more production is our answer to all our difficulties at the present moment.

3. Our balance of payments position has been greatly injured to the extent of Rs. 28 crores, and by accommodating the pound we have inflicted on ourselves a heavy blow. Unless there is a dollar help in the shape of loans, the devaluation will create havoc in our economic life. We trust the visit of our Prime Minister Pandit Nehru to U.S.A. will find out a suitable solution in this direction.

Devaluation is an artificial stimulation to export and deterrent on imports. The price of imported goods from sterling area may not go very high. As such purchases will be more and more diverted to sterling area countries.

Devaluation need not necessarily give an impetus to our exports. Our exports are primary goods which are more or less inelastic. There is thus a limit to our capacity to increase our exports. Our exports to U.S.A. are jute, oil, oilseeds, mica, manganese, spices, etc. If the future export quantities remain at the present level there will not be any advantage. In fact, we will be losing heavily. On the other hand if the Rupee prices remain at the old level our exports may be increased. But if exporters here increase their prices devaluation will have no effect. Therefore it is necessary to have some Government control on the price of exportable goods.

Our exports will hereafter be cheaper and our imports dearer. The net result will be only disadvantageous, because our imports are foodstuffs and capital equipments. Even in the year 1948-49 the Commerce Member recently disclosed in Parliament that total import of Luxury goods including motor-cars amounted to only 1.5 per cent between Nov. 1948 and March 1949. The rest were entirely necessities, such as food for Rs. 180 crores, machinery 81 crores, raw materials jute 70 crores, cotton 65 crores. These are unavoidable if we are to increase our production. For the same quantity of our exports we will be getting 30 per cent less. That portion of our Sterling balance convertible into Dollar will also depreciate 30 per cent. and will suffer in value.

The Reserve Bank of India announced its decision not to quote any rates for Pakistan rupee. This decision will have far-reaching consequences.

1. Trade between the two countries will remain absolutely at a standstill.

2. Banks in both the Dominions will not be able to help in any way in the inter-Dominion

transactions, until the rate of exchange between the two currencies is settled.

3. The present commitments between India and Pakistan were in terms of Rupees only. By the devaluation of the Indian Rupee and the consequent vast difference in the value compared to Pakistan Rupee, settlement of these commitments will give rise to serious disputes.

4. Importers of cotton and jute who have contracted to buy from that country will now have to pay 44 per cent more Indian Rupees.

5. There are many Muslims who are in India and their families in Pakistan. It will not be possible for them to remit funds for their families.

6. What is the position of Pakistan Banks in respect of amounts due to them from Indian Banks. I will clarify by giving an example.

Illustration 1.—Suppose for argument Habib Bank, Karachi, has balances to the extent of Rs. 50 lakhs lying in Current Account with Central Bank of India, Bombay. Will the Central Bank be required to pay the amount in terms of Pakistan rupees or Indian rupees? If it is former Central Bank stands to lose 44 per cent of 50 lakhs viz. Rs. 22 lakhs. Who would be responsible to pay this loss? It is a disputable point. Probably Inter-Dominion conferences at Ministerial level can solve it.

Illustration. 2.—A particular Bank say Imperial Bank of India has invested a crore of its deposits from Indian Dominion in advances in Pakistan. When these advances are realised and she remits this money to India she gets one crore and forty four lakhs instead of one crore. Wind fall indeed!

Illustration. 3.—Suppose a Pakistan Bank namely Habib Bank has invested a crore of rupees in advances in Indian Dominion out of the deposits she received in Pakistan. When these advances are realised, she is able to remit only 69.5 per cent of one crore i.e. Rs. 69.5 lacs.

Illustration. 4.—Let us also examine the position of some of the Indian Banks at present working in Pakistan. Those connected with Banking are aware that a branch of a Bank maintains an account with its Head Office and whenever there are any surpluses, the same will be remitted to the Head Office. What would be the position of that Branch of a Bank in Pakistan in the event of a run on the branch when she is not in a position to receive funds from its Head Office or any other office in India. If the particular Bank had several branches in Pakistan and if there was a simultaneous run on all the branches, their fate can be better imagined than described. There are several other implications of this nature and it is unfortunate that till now no one has dealt with these issues.

Illustration. 5.—Refugees from Pakistan who had left their assets there will be able to get more in the shape of Indian Rupees as and when this question of refugee assets is finally settled between the governments and the exchange rate also fixed. No doubt the matter has been hanging fire indefinitely but due to world opinion and the determination of the Government of India it cannot be long before some sort of settlement is arrived at.

Let me now summarise the advantages and disadvantages to Banks in India as a result of the devaluation. It is, however, assumed that sooner or later the question of parity between Indian and Pakistan rupees will be settled to the benefit of both the governments.

ADVANTAGES

1. Movement of Capital from India to other countries would now diminish.

2. Investment in India for hard currency areas would be more attractive.

3. Banks in India who made investments in Pakistan or other hard currency countries will make a profit in terms of Indian Rupees to the extent of 44 per cent.

4. Export bills may increase particularly to Dollar Currency areas while those to other soft currency areas may remain without much change.

5. Where bills are drawn in terms of foreign currency (non-devalued) the Indian exporter stands to gain in terms of Indian Rupees.

DISADVANTAGES

It would appear that from the Banking point of view the disadvantages outweigh the advantages.

1. The Business contracts between India and other foreign countries were entered into at the old parity. In the cases where importers have to pay, the amount now payable will be more by 44 per cent. The same applies to remittances to hard currency areas and those countries which have not devalued for maintenance of Indian students, Commercial Travellers, etc.

2. Banks of non-devalued areas which have investments in India out of deposits from outside India will now suffer loss for the reason that while their deposits will have to be paid in the non-devalued currency, they will realise the investments in the devalued currency.

3. Drafts and T.Ts. issued by Indian Bank on their agents in the non-devalued areas will be paid in non-devalued hard currencies, which mean more in Rupees whereas the amount recovered from the applicants will be less by 44 per cent.

4. Pakistan's refusal to devalue and Indian Government's refusal to recognise any rate of exchange between the two currencies will lead to untold misery and inconvenience to people in both the Dominions with their relatives in the other.

5. The trade between the two countries will be absolutely at a standstill.

On the whole the short-term effect of non-devaluation will be one of advantages for Pakistan but in the teeth of competition from other

soft currency countries in the matter of exports and the refusal of Indian importers regarding raw jute and cotton, there is a general feeling that Pakistan will not be able to maintain its attitude for long and they will have to revise the value of their currency sooner or later. Otherwise she will be cutting her own nose to spite her face and killing the goose which laid the golden eggs. The interests of India and Pakistan are economically linked together. The breaking-up of the link has only added to the difficulties for maintaining closer economic co-operation between the two countries. There is no proper justification for the action taken by Pakistan from the point of view of economics.

Devaluation is now an accomplished fact. It is no use enquiring why it has been done and who is responsible for it. We have been living beyond our means both internally and externally and it is a warning that unless we put things in order in time the situation will get out of control. We will have to check our expenditure from exchange resources. We have not worked enough to maintain economic strength of our country. The agriculturist worked less because of high prices, the labourers worked less because of higher wages, the Industrialists worked less because of higher profits, Government worked less because of larger revenue and larger cash balances. So we all had very easy and comfortable time which resulted in the devaluation of our currency. We have to find out a solution to get out of it. The solution is production and more production alone.

The Government of India now must see that prices do not go higher. Prices of imports from soft currency areas are also found to rise. The dollar content in Britain's cost of living is rather high and as such prices of British goods will also rise. It is impossible to think that India can do away with all dollar imports. It is true that we may have paid for all imports of food from dollar area for 1949. But what about 1950? It is therefore necessary that we must produce more food if we propose to exist. Not

only we have to do our best to produce more food but we have also to ensure that it is properly distributed. We have also to stop further rapid growth of population in this country. The only solution for the economic ills of the country are :—

1. Increased agricultural and industrial production ;
2. Check on growth of further population ;
3. Efficient machinery for the procurement and distribution of food.

In order to achieve increased industrial production, it is necessary to have contented labour and capital. We must appeal to their sense of patriotism and see that this is attained. It is a national emergency and we are in a state of war as we were in 1939. The Provincial Governments must be willing to abide by Centre's economic policy. It is a pity that in spite of Pandit Nehru's advice to some Provincial Governments to proceed slowly in the matter of prohibition, they went ahead without taking into account the financial and economic aspects of the question. This should not be allowed. If discipline is not accepted and properly enforced Democracy shall have no future in this country. The present is a period of adjustment. If we are able to tide over the initial stage we shall still be able to achieve a healthy economy for the country.

Mr. M. G. Lakshminarsu :

The main item of expenditure in our economy within the last two years account for nearly 600 crores of food imports, and it averages to 100 crores of rupees for the last few years. Import of food into India has been seriously responsible for bringing about these economic crises. After all the deficiency in food was estimated at 7½ per cent. This deficiency in food could have been wiped out in various other ways instead of wasting hard earned money in food imports. Thus food is not the main problem today in India. The problem in India is population.

Various measures have been suggested by the Finance Minister and the Commerce and Industries Minister during the recent debate in Parliament on Devaluation. The only remedy for us is that we must produce more of economic commodities and services. We want various machineries and service personnel. Today by devaluation we have to pay at least 40 per cent. more to get these equipments from the U.S.A. Any capital equipment that we have to get for the various projects from the soft currency areas particularly England, will be delayed very much because whatever Britain supplies to us will be adjusted against our sterling credit and therefore she would delay the supply of capital equipment as long as possible. British prices are also likely to go up very high. Economy in the Government expenditure all round must be introduced, a price reduction, a reduction in wages, and a reduction in salaries of 10 per cent. all round and even conscripting capital and labour for a planned production of economic commodities.

Mr. Ahmed Mohiuddin :

The dollar problem is not a problem only of sterling area or the rupee area. It is a problem of economic adjustment between the old world and the new. Secondly it is a problem for the European countries and other democracies—of transition from one economic system to the other, that is from capitalistic system to a mixed economy, a socialist state or welfare state. The excess exports from the U.S.A. during 1947 were over 11 billion dollars and in 1948 over 6 billion dollars. If European countries were to eliminate their deficit on current dollar transactions they have to increase exports to United States by 800 per cent. The important question for the non-dollar area is how to bridge this gap.

America has generously offered to take more imports by reducing tariffs, to increase stockpile of strategic raw materials and to encourage investments abroad. Thus devaluation is a palliative. It is an attempt at this adjustment. The old world has to pay a contribution to the

new world in the form of selling goods cheap and buying goods at a higher price.

It is a national emergency and calls for sacrifice from every section of the community, capitalists, labour and the common man. But the problem is that in spite of hardships and sacrifices if the gap is not bridged what would be the situation? Will England resort to further depreciation?

The socialist or the welfare state is a half-way house between full-fledged capitalistic economy on the one hand and the communist economy on the other. Unlike the communist area, the stability of the economic conditions of the welfare state depends on balancing of trades and price factor. The parity of the purchasing power of currencies is still the determining factor. If American prices also fall we have to follow suit. As Pandit Jawaharlal Nehru said "this dependence is a shock." It is also a challenge.

It appears to me that on account of Dollar shortage we are likely to adopt a closed economy. International trade may be conducted on barter between contracting Governments. Stricter control on production, consumption and savings will have to be introduced. Every country is likely to resort to *autarchy* or self-sufficiency. Devaluation may lead to contracting of free area of international trade, greater restrictions on individual enterprise and more state control on every aspect of economic life. Let us hope that it will lead to greater prosperity.

Mr. B. S. Mahadev Singh :

The debate in the Constituent Assembly threw a flood of light on the circumstances that resulted in the devaluation of the rupee. It has been admitted in so many words that the Government had to resort to devaluation not because of any compulsion of logic, not because of any serious dislocation of our foreign trade or a sudden weakening of the position of the rupee but because we were compelled to do so due to the crisis developing in England. In short because

we are in sterling area. Dr. John Matthai has tried to make out a case for remaining in the sterling area. His argument is that we are drawing heavily on the dollar reserves of the sterling area and therefore it is in our interest to remain in that area. Now it is true that today we are spending more dollars than we are earning and these dollars are earned for us by other countries of the sterling area. But this is not the whole picture. We have also to inquire as to how many dollars we have earned during the war years for the sterling area and to find out if justice has been done to us today. Our sterling converted in dollars are today almost negligible and to that extent we need not be ashamed of using what little dollars the sterling area is making available to us. But if we take purely a practical point of view it is correct that today we have no choice except to remain in the sterling area and so the devaluation became inevitable. As for the extent to which the devaluation has been made it is very difficult to be dogmatic. The Government seems to have taken the view that the Rupee should be kept stable in terms of Sterling. That explains Dr. Mathai's statement that Pakistan has overvalued her rupee. Once this view was taken the extent of devaluation was no longer a matter of choice.

It is very difficult to say what will be the result of devaluation on our economy. Two sets of economists in our country hold divergent views about the devaluation of the rupee. One school of thought feels that being tied down to the sterling area, devaluation of the rupee as a consequence of the devaluation of the Sterling was inevitable and automatic. The other feels that devaluation of the rupee was unnecessary and particularly not before discussing the whole affair with Pakistan that has not devalued her rupee. But there is general agreement amongst most of the economists that the prices will tend to rise in spite of all deflationary measures that can be conceived of. The British Government seems to be fully alive to the danger of the devaluation of the Sterling and are warning the nation against profiteering or slackening of

efforts. Sir Stafford Cripps has recently declared that inflationary tendencies are developing and efforts are necessary to check the same. The Government of India seem to be much more optimistic. They have recently announced an eight point programme to counteract undesirable tendencies generated by devaluation. These eight points are a curious "salad mixture." Two of them, by themselves, are inflationary in character, *viz.*, restriction of imports and increase of exports; three are deflationary in character, namely, voluntary settlement of incomes payable in respect of war profits and economic measures aimed at Rs. 40 crores, reduction in revenue and capital expenditure for the current year and twice that sum for the next year. Two are pious wishes—intensified savings drive and reduction of 10 per cent. in retail prices. As our imports consist largely of articles in urgent demand including a marginal supply of food necessary to supplement our domestic output as well as the raw materials and capital goods necessary for our industry, restriction of imports will very seriously affect our internal price structure. The same will be the case of increase in exports. Here again the lower value of the rupee is likely to bring about a rise in the price of these commodities in the internal market.

This adverse effect of devaluation in our obligations on account of import trade is likely to be further aggravated by the decision of the Government of Pakistan not to devalue the Pakistan rupee. Dependent as India is on Pakistan for 75 per cent. of our raw jute and 40 per cent. of our raw cotton supplies, the fall in the value of the Indian rupee in terms of Pakistan rupee will tend to raise prices of the raw materials of the leading industries of India and in particular of jute fabrics which constitute the most important item of export to dollar countries and thereby the most important earner of dollars.

Further, the devaluation of sterling in terms of the dollar will reduce the quantum of capital goods that India can buy from dollar countries with the sterling balances that are still to her

credit. All these factors are bound to exert inflationary pressure on prices. As opposed to this the deflationary measures are not likely to be very effective. It is to be seen how the Government propose to bring about a cut of 40 crores in their revenue and capital expenditure in the current year and of 80 crores of rupees in the next. If it results in large-scale unemployment the Government will be achieving their ends at much human sacrifice. If they slow down in their development programme a part of the difficulties namely comparative unavailability of the capital goods can be solved but it will not touch the core of the problem. Consumer's goods will continue to be scarce and the inflationary pressure will continue in that sector.

On the whole, therefore, the inflationary character of the eight-point plan far outweighs its deflationary character. Under the circumstances the question is how are they going to bring about a cut of 10 per cent. in retail prices. The co-relation of inflationary and deflationary processes does not hold out any substantial hope for this miracle to happen. But as Mr. Ashok Mehta has shown in his recent statement on devaluation, there still persist inflationary tendencies in our economy and they were just counteracted by the deflationary pressure exerted by increased productivity and consequent increase of commodities in our markets. Now that the capital goods and industrial raw materials are going to be scarce there is very little chance of further increase in the productivity of our economy. And in the absence of increased goods flowing into the markets prices will further rise. This will result in a substantial cut in the purchasing power of the rupee. The workers' wages are sought to be freeze and this will result in the lowering down of real wages of the workers. It is not generally realised that the real wages of the workers are continuously falling all these years and this fact has been recognised even by the journal "Eastern Economist." If any further substantial drop in the purchasing power takes place the results

will be disastrous. This will result in social unrest and chaos. Further, how do the Government expect to put through their programme of increased savings under these circumstances? Do they envisage a substantial rise in the profits of trade and industry to perform this task? The past experience should warn us that there is very little hope of savings coming out of that quarter. Reduction in prices appears to be possible by charging higher prices in the foreign markets and to use the profits thus gained to subsidise indigenous industries. It is rather difficult to say that even this drastic step would succeed. However it is worth trying. If the Government decide to take this step they will have to set up a suitable machinery for the same. The present private trade channels are quite incapable of performing this task. A body on the lines of the U.K.C.C. will be necessary for this purpose. This body will have to be controlled by the Government so as to ensure that the Government policies are carried out efficiently. The body will have to determine to a very great extent both the cost and volume of our agricultural and industrial production. They will have to be given statutory powers for the same. This will require a comprehensive system of control and planning. It seems, we are irresistibly drawn towards the era of social planning. Any further delay in recognising this most elementary requirement of the situation will only result in further miseries of the community as a whole and especially of the working class. Our country today is in the thick of an economic crisis. Any partisan approach either by the party in power or by the opposition to the issues would spell disaster. A national effort, involving sacrifices and hardships by all sections of the people is the need of the hour.

Prof. S. Keshava Iyengar :

There are different categories of Economists nowadays—Labour Economists championing the case of labour, Business Economists quoting scriptures for more and more profits, and Government Economists busy with administrative

issues. I speak here tonight entirely from the academic viewpoint, having nothing to do with the categories mentioned above.

This problem of Devaluation is important only for countries which have developed their external trade rather disproportionately. As a rule, the internal economy of any country ought to be much more important than its external trade transactions, and as such, the internal purchasing power of the currency is much more important than its external value. Rich and leading countries like the U.S.A. and the U.S.S.R. have comparatively low-level external balances. Perhaps the only country which has learnt to live on external trade is Britain. Thus, the problem of full employment and security against deterioration of the standard of life ought to be much more important issues than those of the external exchange rate of the currency. It is not quite correct to associate directly maximum international trade as among different countries of the world with full employment and a satisfactory standard of life in each country.

It is an elementary principle in economics that in the long run it does not matter what the exchange rate is between the currency of one country and of others. Immediately, the trader gets advantage of harvesting higher prices (in case of Devaluation) while costs of production take some time to readjust themselves. But provided due allowance is made for the time lag for the adjustment of wages and other costs of production, the local price level is bound to neutralise the immediate effects of Devaluation on internal prices. A point has been made by many nowadays that the Pound Sterling has become overvalued, and that the index of British exports stands at about 210 while that of U.S.A. is about 175. Thus, an attempt is made to justify the Devaluation of the Pound Sterling with the object of counteracting any advantage that U.S.A. might get on account of a lower price structure. Here again, the reasoning does not seem to be clear. The price structure in any country does not and cannot depend merely on the exchange rates, not even substantial. The

much more important factors are the natural and human resources of the country, the level of labour efficiency and the economy that the business world is able to secure on account of the element of competition. The price structure further depends on other factors like domestic demand, and Government policy relating to Taxation, Tariffs and Social Security. This takes me back to my original point, namely, that for international trade to go on on healthy lines in a stable way, it should be limited only to surplus production, and not based on the present day "beggar my neighbour" policy. In other words, the best policy appears to be to maximise the elements of competition in trade as among nations, and allow the exchange rate to find its own level instead of trying to anticipate the natural level or pegging it either high or low for non-economic as well as economic considerations.

The present situation of India is quite clear. Even after Partition, she stands high with regard to man-power and natural resources. Her balance of trade (leaving alone non-trade items and transactions on capital account) has uniformly been favourable. The scarcity of jute and cotton and the shortage of foodgrains is a temporary phase which can and ought to be remedied in the course of five years at the most. But normally, the sound policy for India would be to concentrate much more on the internal economy, stepping up production per man-hour along avenues in which there is a great deal of demand, and enabling the local citizen to raise his standard of life by ensuring for him a higher real wage based on higher productivity as a result of education and training. What do we find the actual state of affairs to be? We have made very little headway with regard to the latter problem, but have hastened in imitating the Devaluation policy of Britain.

Even granting that the achieving of a zero balance of payment is a prime objective, the devaluation of the Indian currency is by no means an important instrument. In the order of pre-

ference, policies in other spheres ought to help India much more than Devaluation:

(i) Increasing the production per man-hour in India: a recent index in this respect was 100 in the U.S.A., 56 in Britain and 7 in India. Even with regard to textiles, the Indian figure was given at 18. More production would automatically enrich the purchasing power of the Indian currency as well outside the country as inside.

(ii) It cannot be denied that India is nowadays hedged in a number of ways, legitimate and illegitimate, by British strings. After the declaration of Independence in August, 1947, Britain ought not to look to India in any continuance of colonial subordination in economic matters. India ought to dissociate herself from the Empire Dollar Pool and if necessary, leave the Indian exchange to find its own level by declaring a free market. Once this is done, it is certain that the Indian exchange would stabilise much nearer the pre-Devaluation level than the post-Devaluation one. This step would have had the additional advantage of inspiring confidence in countries like U.S.A.

(iii) A commensurate tariff policy might also help in boosting exports and pruning imports, but in these days of G.A.T.T. and lower tariff walls, this policy might not fit in. Further, there is no need for this kind of instrument for a strong country like India.

(iv) Exchange control is another way in which exports and imports can be closely adjusted to each other. But this presupposes a very high level administrative efficiency and the assumption of a closed economy.

(v) The scope for immigration of foreign capital into India is very great, provided the following conditions are ensured:—

(a) Foreign capital should not bring with it political domination.

(b) The foreign capitalists should be assured fair compensation in case there

should occur nationalisation or expropriation for any reason.

(c) The foreign capitalist should be given a guarantee against discriminating taxation.

(d) It should be free from the limitation of dividends that might apply to local company organisations.

(e) It should further be given a guarantee against further Devaluation, and should any such phenomenon come about, it should be guaranteed a compensation.

(vi) Devaluation comes last, but the reasons are not clear why the authorities have given a high preference.

The Chancellor of the Exchequer in England, the Indian Finance Minister and even the Managing Director of the Hyderabad State Bank have declared that it is much too soon to say what will happen after Devaluation. Thus, it has been admitted on all hands that the recent Devaluation of the Indian currency has been a leap in the dark. There has been a great deal of wishful thinking during the last few weeks. We have been told that the cost of living in India should not increase on account of Devaluation. Further, it has been claimed that the general internal cost structure should not be affected at all. Plainly speaking, all this is not possible. The activities of speculators, the ambitions of producers of goods competing with products from the dollar area, and the inclusion of numerous items of foreign origin in the cost of living index—all this is bound to bring about a rise in the local cost of living, the local wage level and the local price level. This in its turn is bound to deteriorate further the already miserable standard of life of the average Indian.

With regard to the Indian Sterling Balances India stands to lose again. The book value is of no significance. Any amount that is released for convertibility would be much less in dollar terms than before Devaluation. Any scrapes allowed for use within the Sterling area may at the best be worth the same as before Devaluation.

A time there was when Britain stood for free trade, but she has been following quite the opposite policy of striving for preferential treatment from some quarter or other almost continuously. The British debt to the U.S. was funded into about £. 900 and odd millions in the Twenties, and Britain agreed to pay a small annual instalment for over sixty years in order to wipe out those dues. The annual payment was made hardly for a year or two. Objection was raised that the U.S. has raised her tariff walls against British goods and that therefore Britain could not possibly export her goods in adequate quantities into the U.S. and then be able to pay the the annual instalment. For a number of years, token payments went on. With the outbreak of World War II. there was no time to think of the funded debts at the end of World War I. The U.S.A. was hypnotised from "cash and carry" into "lease and lend." Small repayments were made, but at the end of World War II, over 24 million dollars of balance were written off in celebration of the Allied Victory. Then came the Anglo-American Loan of £. 3,750 million. This loan was eaten away much earlier than scheduled, and then followed the Marshall Aid Programme. One year of Marshall Aid is over, the bulk of which having been consumed by Britain. The latest is a comment by the *Banker* of Britain that the Marshall Aid Programme of the U.S.A. is absolutely inadequate for European Recovery and the compliment has been paid that the Marshall Aid Programme is a "widow's mite." Britain has been depending with an unparalleled optimism on windfalls like these, and she has been supplementing her spoils through economic pressure on countries like India.

As explained above, Devaluation at best is a temporary expedient, not capable of any permanent good to the economy of any country. The inter-war history of currencies clearly shows that Devaluation is a dangerous disease almost resembling falling sickness. Competitive Devaluation has always to be feared after the original sin. Even today, there is a strong ru-

mour that the U.S.A. would raise the price of gold. This is not believable. But if this should come about unfortunately, this must result in a further compensating devaluation by Britain and all her clientele.

In her decision on Devaluation India has ignored the great help that she could have got from the U.S.A. in the shape of capital goods and technical personnel and the great trade that she could have built up with that country: she has ignored the *Kamadhenu* (the milch-cow) and tried to hug a *Jambuka* (fox). The three main under-currents that brought about this Devaluation epidemic appear to be:

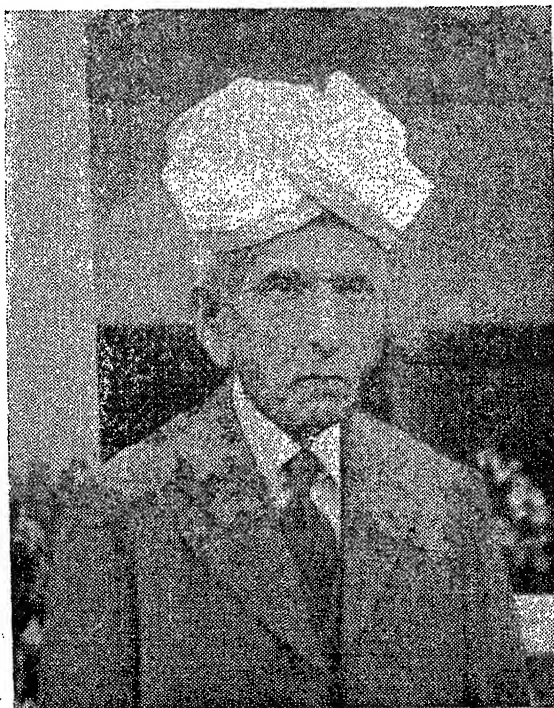
(1) The desperate efforts of Britain to maintain and further raise her standard of life;

(2) The vociferous claims of the South African Gold Mining Companies for higher price for gold; and

(3) The deliberate policy of the Anglo-American *entente* for postponing the day for Asian economic recovery.

Although Devaluation was decided on by India before knowing her own mind, it is almost certain that the force of circumstances will persuade her to retrace her steps in the course of the next few months.

SIR M. VISVESVARAYYA AT 89



The All-India Manufacturers' Organisation

SIR M. VISVESVARAYYA—A BRIEF ACCOUNT
OF HIS CAREER

EARLY EDUCATION

BORN in 1861 and educated at Central College, Bangalore, and the Poona College of Science—now known as the College of Engineering—Sir M. Visvesvarayya joined the Bombay Engineering Service at the early age of 22. He was associated with the design, construction and administration of a large number of irrigation schemes in that province, and of water supply of several important cities. He designed as new system of automatic waste-weir-flood gates successfully adopted in Lake Fife in Poona, in the Tigra dam in Gwalior, and in the Krishnarajasagar dam in Mysore. He is also the author of a new system of irrigation, known as the Block system, which ensures economical use of canal water and enables cultivators to obtain their supply on long lease instead of a precarious year-to-year tenure.

HOW HYDERABAD IS INDEBTED

As a sanitary engineer, he was responsible for the water-supply and drainage system of a large number of cities including the towns of Sukkur and Aden. Hyderabad too owes him a deep debt of gratitude, for it was he who after the disastrous Musi floods in 1908 designed the flood protection and underground sewage works for the city. In Mysore he was responsible for the Krishnarajasagar project and the Bhadravati Iron and Steel Works.

It was during his tenure as the Dewan of Mysore that Sir M. Visvesvarayya took to a wider field than these feats of engineering. The poverty of the Indian masses moved him, and he found that industrialization is the panacea for India's chronic poverty. At his instance an economic investigation of the rural areas was undertaken in Mysore. (A similar investigation is now under way in Hyderabad). He

inaugurated a scheme of district development by planned economy and laid the foundations of the Bank of Mysore. A University was ushered into existence and an unprecedented impetus given to industries. Soon Mysore was humming with resurgent life.

INDEFATIGABLE COMMITTEE MAN

Sir M. Visvesvarayya is an indefatigable committee man. He worked on numerous committees as a member and as chairman. He served as Chairman of the Committee on Technical and Industrial Education, the Indian Economic Inquiry Committee, and the Irrigation Inquiry Committee. As a member of the Capital Inquiry Committee, the Back Bay Inquiry Committee, the Sukkur Barrage Inquiry Committee and numerous other committees, he rendered distinguished service. He is intimately connected with the industries and has been on the Board of the Tatas for more than 20 years. As President of the Court of the Indian Institute of Science, Bangalore, he has been responsible to a large extent for the progress of industrial research in the Institute.

EXTENSIVE TOURS ABROAD

He travelled extensively in Europe and visited America four times and Japan twice to collect information bearing on the economic aspects of our national life.

He is now the President of the All-India Manufacturers' Organisation, an institution intended to further the cause of industrialization of India.

His publications are numerous. His books, "Reconstructing India" and "Planned Economy for India" are now classics on planned economy. He is also the author of the system of economic development by district planning, a system which bears careful study.

Six Universities namely—Calcutta, Bombay, Benares, Patna, Mysore and Allahabad—have

honoured Sir M. Visvesvarayya by conferring Honorary Doctorates on him.

MAN OF MANY ACHIEVEMENTS

Other honours he has in plenty. The richest reward and the greatest honour that he now wishes is that the country should "buck up" and take up seriously planned economic development of the country both on the factory and the cottage scale. He did for the awakening of our economic consciousness what Mahatmaji did for our mass awakening, said Mr. Morarji Vaidya, Vice-President of the All-India Manufacturer's Organization. No more eloquent tribute could be paid to this man of many achievements, the Grand Old Man of India.

SIR MOKSHAGUNDAM VISVESVARAYYA'S EIGHTY-NINTH BIRTHDAY RECEPTION (15TH SEPT, 1949).

The members of the Organization in Bombay entertained Sir Mokshagundam Visvesvarayya on his 89th Birthday on September 15, 1949 at a Reception at the Taj Mahal Hotel.

Apart from the members of the Organization, prominent citizens, industrialists, businessmen and many foreign consulates and trade commissioners were present.

Mr. G. L. Mehta, President, Indian Tariff Board presided.

His Excellency Sri C. Rajagopalachari in his greetings to Sir Visvesvarayya said "Accept my felicitations which come from my heart and are offered with affection and pride. For many years more, may the "Not at Home" notice remain at the Door."

Hon'ble B. G. Kher in his greetings said "Wish you many more years of service of the country in perfect bodily and mental health."

The Delhi Provincial Board of the A.I.M.O. and Dr. L. C. Jariwala, in a joint message state "To you, Sir, Man of Many Achievements and the originator of the idea of Planned National Economy and the Founder President of A.I.M.O.

we send heartiest greetings on your 89th birthday."

Mr. Murarji J. Vaidya welcomed Sir M. Visvesvarayya on behalf of the Organization and paid glowing tributes to Sir M. Visvesvarayya's work done in the awakening of the people in the economic sphere.

Mr. G. L. Mehta in his introductory remarks conveyed to Sir Visvesvarayya hearty greetings and best wishes, and said "In spite of his old age, he held vital interest in the economic and industrial problems of the country. He wanted that the country should be fully developed and all resources fully utilized. Mr. Mehta added that Sir Visvesvarayya is not 89 years 'old' but 89 years 'young'. He advocated the cause of industrialization almost with a religious fervour, Mr. Mehta said.

To Sir M. Visvesvarayya, Mr. Mehta observed, industrialisation did not mean earning of profit by a few but the constructive and all-round development of the resources of the country on a constructive and planned basis.

Mr. Joachim Alva (Sheriff), Mr. Nagindas T. Master, Mr. Sankalchand G. Shah and Mr. B. S. Dabke, joined in the tributes paid to the grand old man of industry and complimented him on his perseverance and industrial perspicacity.

ADDRESS BY SIR M. VISVESVARAYYA AT THE THIRD QUARTERLY MEETING HELD IN HYDERABAD-DECCAN, NOVEMBER 12, 1949

THE PROBLEM OF INDUSTRIAL DEVELOPMENT IN INDIA

The Hyderabad members of the All-India Manufacturers' Organization have been inviting us for the last two or three years to hold one of our Quarterly or Annual Conferences in this City. I am glad with the co-operation of Government and the public leaders of this city it has been possible to arrange for such a meeting on this

occasion. The members of our Organization highly appreciate the courtesy of the Military Governor and Nawab Zain Yar Jung Bahadur in affording us facilities and in participating in this open session.

The present economic condition of India is weak and unsettled but one encouraging feature in it is that the nation has attained independence and is at liberty to take whatever steps it may consider advantageous to increase its income and improve its living conditions. She had not this liberty until the administration passed into the hands of the people of the country a couple of years ago.

Production is the principal index of a nation's economic prosperity. The national income of India as roughly estimated at present from all sources may be taken at Rs. 4,800 crores and the corresponding income in some years in the United States of America has been as high as Rs. 65,000 crores. The population of India after the partition is estimated at 320 million and that of the United States of America in recent years has been 140 million.

The population dependent on agriculture in India is about 70 per cent. of the whole and that in the United States of America 22 per cent. and in the United Kingdom less than, 7 per cent. The proportion of population employed in organised industries in India is 2.5 per cent. and including handicrafts, mining, etc., 12.5 per cent. The corresponding percentage of population engaged in industries in 1930 was—in England and Wales 46.2, in the United States of America 30.9, and the average world figure approximately 33.1. The usual industrial statistics are not available for India; the figures given here may be considered as the nearest approach to accuracy that can be gathered from the available data.

The United States of America has come into prominence as a prosperous nation within the past 50 years and is now at the peak of prosperity amongst the world's civilized nations. It built

up economic strength originally with the help of loans obtained from the United Kingdom, and subsequently added to it materially by the service she rendered to belligerents during the first World War.

From the census figures it is seen that the average expectation of life in India was about 28 years while the corresponding record in 1945 in the United States of America was as high as 61 years for men and 63 for women.

It will be seen that the average income of a citizen of India reckoned in terms of money is far less than one-tenth of that of the American citizen and that his expectation of life is no more than one-half of that of the latter. These figures ought to rouse every patriotic self-respecting Indian citizen to resolve to lead a life of vigour and enlightenment in future to wipe out this disgrace from the country's face.

INDUSTRIALIZATION SCHEME FOR RURAL AREAS

It is necessary to develop industries rapidly in both urban and rural areas to make amends for past grave omissions. Industries may be divided into two classes: heavy and large-scale industries in urban areas, and small-scale or minor industries in rural areas. In effect the scheme is considered in these two respects, *viz.*, rural and urban, and these two are kept practically quite distinct and have to be considered separately. Other changes which may seem equally justifiable might be suggested but the reservations indicated here have been selected because they are most appropriate and best serve the purposes of the scheme.

For the purpose of industrialization in rural parts, all the residential areas in a district are, as has been separately described, grouped into three regional units, *viz.*, City, Town and Group of Villages. A village group will consist of 10 to 20 villages with an aggregate population averaging about 15,000. A district may be taken to consist of 1 or 2 cities, 10 to 15 towns and 50 to 70 village groups.

We will first consider the question of industrializing rural areas only, *viz.*, the village group units just mentioned. Each village group will be provided with a Development Committee consisting of 7 to 12 members selected by the local people with a central village chosen for its headquarters. At the end of a year, each village group area has to render an account of industries newly started or existing industries further extended, which will give as far as possible the quantities of products, value of total output and per capita value of production in that particular region. For the first three years the development work will relate entirely to industries. Thereafter, agriculture will be brought in and a little later services may be also included. A special feature of the scheme is that it provides for two years' food supply to be kept in reserve at all times, in every village group area, the responsibility for maintaining which will rest with the local Development Committee. There are many other details to be filled in to give a complete picture of this rural industrialization scheme. The All-India Manufacturer's Organization has published several pamphlets in recent years to describe the details. For further particulars, reference is invited to the pamphlets referred to and particularly to the Small Village Industries Handbook issued by the Organization within the past fortnight.

With the approval and encouragement of the Government of India, preparations are being made to introduce this rural industrialization scheme into the various Provinces and States in India. The handbook referred to, is being circulated in order to facilitate the study of details and the introduction of the scheme into any village group area where people are eager to increase production and income and ambitious to acquire habits of discipline and self-help for themselves.

THE PLIGHT OF INDUSTRIES

There have been several causes for the present unsatisfactory condition of industries. The lack of primary education and technical skill

among 85 per cent. of the people is one of the main reasons why production is low. Agricultural production is also poor because population has grown and as a result of pressure of population on the soil there has been fragmentation of holdings and food supply has become scarce. The most important deficiency of all is the lack of industries. Industries are necessary to increase production of consumable and exportable products. They are indispensable for providing machinery for the defences of the country. They are necessary for maintaining a civilized existence. Industries were however restricted during the British administration because India was treated as a dependency. At present we have our own independent Government for developing industries. But the new Government has had its hands full with political and other problems arising from the partition and has not been able to give the necessary attention to this most important need, *viz.*, the development of industries. As stated by me on former occasions, the per capita income from industries in India at one time was Rs. 15 as against Rs. 830 in the United States of America according to the old value of the rupee. It will be seen that of all the deficiencies which have tended to lower the income of the country, neglect of industries has been the most harmful.

At the present time, products most wanted in order to develop industries are steel, coal and cement and among other requirements the most important are capital machinery and expert advice. The Government of India have been arranging to import experts to develop steel. Many people think that the advisory responsibilities in the present instance should have been entrusted to local firms. If that had been done it would have given practical training to our people and the money would have remained in the country. We have two big firms and one small Mysore Government Factory which are manufacturing steel at present. Much more than an additional million tons of steel now contemplated would be needed in the near

future. Arrangements should be made immediately for the production of at least 5 million tons per annum.

It is necessary to give opportunities to our own people. It is on account of lack of such opportunities for many years that industrial progress has been so badly impeded.

I have frequently brought to notice the fact that according to reliable records South India was exporting steel to Glasgow in the second half of the last century. Some 20 years ago, charcoal, pig-iron from the Mysore Iron Works was being sold along the coastal districts of America at cheaper rates than they could obtain from the interior of their own country. Who does not know that the Tata Iron and Steel Company in India is still the largest single steel works in the Commonwealth of Nations?

Permanent arrangements should be made also for increasing the supply of coal to the requisite extent.

The following four engineering industries should have been given special attention long ago. They should now receive prompt attention :—

Automobile
Aircraft
Locomotives and Diesel Engines
More Bicycle Factories.

These if established and brought speedily into operation, will give quick returns and at the same time reduce the enormous payments now being annually made to foreign countries for the purchase of finished vehicles.

The project estimates for the automobile industry were ready more than twelve years ago. It is not the present Government only that is responsible for this delay. It is hoped that the Government will give to the public the inner history of what led to the retardation of this industry. That history will show how inadequate sometimes are the reasons given for postponing or ignoring important projects.

It is also necessary for the public to know why the Hindustan Aircraft Factory, although given a good start, has ceased to grow and still is only doing job work.

Another group of industries for which early permanent arrangements should be made are :—

Machine Tools and Machinery, Electrical Machinery, Mill Machinery and Shipping.

News has been received within the past few days that the Machine Tools Industry is about to be started soon.

The following five Chemical industries should not be ignored :—

Rayon, Plastics, Aluminium, Heavy Chemicals and Fertilizers.

Heavy industries have been located in the past only in a few favoured localities, mainly perhaps through the accident of proximity of resources. All the provinces have a claim for heavy industries because they bring wealth to them, give opportunities for training the local population and provide highly remunerative employment to many skilled workers.

HEAVY AND LARGE-SCALE INDUSTRIES

Organisation and Administration

Heavy and large-scale industries are of great importance for the prosperity, safety and security of a country. These industries are usually pursued and practised in cities and towns, as distinguished from rural industries in village group units already explained. Heavy industries are the chief source of wealth to all prosperous nations in the modern world.

Heavy industries in this country are not at present systematically supervised or administered. Proper statistics are not maintained. The capital invested in an industry, gross production and value of output, may be known for each individual industry, but the results are not brought together in the aggregate and nobody knows what the total size or value of out-

put is at the end of a year. This is a vital drawback, which it is hoped will be remedied and that from next year we may be able to obtain a fairly reliable idea of the amount of capital invested in heavy industries and the value of their output at the end of each year.

There should be a plan prepared for the next year and provisional plans for the ensuing 5 and 10 years respectively which will provide for making full use of the resources available in the country in men and money and also serve as targets for guiding operations in advance.

At the head of the administration of industries is the Minister for Industry and Supply. This authority has to look after supplies also and his responsibilities are many and great. He should therefore be provided with a Deputy Minister who should be a technologist, an engineer or an industrialist of repute. He should also have a small Advisory Committee of three members possessing the highest qualifications in technology and industry to assist him in the preparation of industrial schemes for all parts of the country. These three men should possess a very high reputation for efficiency and probity. Services of such men should be obtained for part-time service under Government if competent men cannot be otherwise had. These being exceptional times, some exceptional measures from the point of view of results are necessary.

In addition to this Advisory Committee, there should be a separate Liaison Committee also of three persons, whose members can help to maintain communication between all parts of the country, where industries have to be started or carried on and the seats of the Central and Provincial Governments and, when necessary, also with firms of Consulting Engineers and Chemists, both in India and abroad. The six experts of the two Committees will have to be chosen with exceptional care, and having regard to the character and value of services expected of them, they will be worth having even at what may seem extravagant rates of

pay. Since air transport is now available for rapid travel, correspondence can be reduced and all consultation work can be expedited. Under this arrangement the entire country can be kept humming with activity provided Government can arrange for the necessary capital required. Government are doing many good things but if the essential needs of industries are speedily supplied, confidence in Government measures will return and all necessary new industries can be advanced and past omissions speedily rectified.

HEAVY AND LARGE-SCALE INDUSTRIES

Funds and Staff

As stated before, heavy and large-scale industries are a necessity in the present condition of India for increasing the prosperity and wealth of the people. Industries in general have been greatly neglected for a long time. They received little attention under the former administration. The present administration has been too busy otherwise since it came to power.

The principal difficulty seems to be lack of finance partly due to the disturbed political atmosphere within the country and partly to international complications. The first necessity is capital. Both Government and the public are reconciled to the idea that loans have to be obtained from the United States of America for investment in industries. The next move has to be taken by Government.

A successful way of mobilising internal loans would be for the Ministers or their trusted colleagues or lieutenants to visit Provinces, meet and confer with half a dozen or a dozen leading businessmen for considering the various ways open to bring the country in this respect into line with the activities of the four major Anglo-American countries who have risen to the highest level of efficiency and progress in the industrial field.

A third deficiency in India is absence of co-operation, discipline and efficiency after the

withdrawal of foreign control. This is partly due to high offices not being filled by considerations wholly of merit or capacity and partly because the new Government has not had sufficient time to make arrangements to fill offices by trained competent men.

GOVERNMENT ATTITUDE AND POLICIES

The Government's nationalization scheme has done much harm. It is hoped that the information obtained in America will induce the Government to withdraw the scheme unconditionally.

It also seems desirable to cancel the limit placed on industrial dividends.

Western discipline and practices in the administration of industries should be studied and adopted wherever local circumstances justify. Persons appointed to the control of operations under any organization should be men of experience, dynamic energy and driving power.

Persons of talent should be appointed and tested before they are confirmed in their appointments. Industrial leaders like Ford, Chrysler and Knudson in America and Rootes in England and other experts developed practical knowledge in industry by self-study and self-help. In the same way opportunities should be given in India to men of talent wherever they could be found or whenever help is sought.

Wherever inefficient men are already in key appointments and business is not speeding up, such men should be replaced by competent hands. The money required for paying compensation to persons who are replaced in such circumstances would be well spent.

Subject to reasonable executive rules, industries may be established and operated in any part of the country by the Central Government or by the Provincial Governments in their respective Provinces. There should be as few restrictions as possible also in the way of private firms and industrialists at least for the next ten years.

It is for consideration whether at a time of extreme financial stringency, prohibition may not be postponed for some years so long as there are millions in the country literally starving or living on scanty rations.

Lastly, considering the manner in which administration is now conducted, it is necessary as stated before in another connection, that Ministers or their representatives should be visiting the Provinces both near and remote, to exchange views and discuss business problems with industrialists and business firms whenever necessary. Such a step will make the people feel that they are under their own national Government. At present Government give the greatest attention to measures that in their opinion are most urgent and some measures which are otherwise urgent in the opinion of the public do not receive attention. In the present unsettled state of affairs this cannot perhaps be helped but Government should endeavour to keep close touch with businessmen and do everything in their power to earn their confidence.

If the public come to know that Government are doing everything in their power to provide for the permanent needs of industries and trade, confidence in Government policies will revive and public co-operation will not be long withheld.

NATIONAL INCOME

The national income is arrived at by estimating production from agriculture and industries and from income-producing services in India and from all three sources at the present time may, as stated before, be roughly estimated at Rs. 4,800 crores. The figure is calculated on the basis of the present inflated prices. On the same basis, a plan is suggested which if faithfully followed and executed to raise the income, ten years hence to about Rs. 17,200 crores.

The present per capita income assuming a total population of 320 million, is Rs. 150 and the same at the end of the ten-year period, after

aking the growth of population in the interval into account will be Rs. 475. These figures are put forward in order to place some concrete ideas before the public but when any reliable comparisons have to be attempted in future years, the varying prices, rates of exchange, and even the capital invested, will all have to be carefully gone into.

It should be remembered that the contemplated increase of national income by $3\frac{1}{2}$ times in ten years will not be achieved unless all obstacles which at present stand in the way are removed, all reasonable facilities required are provided by Government and the managements also closely follow Western business methods.

The population of each unit area or region should be induced to work with the necessary business outlook and efficiency to be able to contribute at the end of the year not less than its due share of national income according to the annual programme.

In the normal course, District Conferences should be held regularly once a quarter. The quantities and values of output of products at the end of each year should be exhibited on charts in the office building of the unit area. It is of the highest importance that statistics as reliable as could be collected should be maintained in every unit area, and every Province and State should work on a plan and programme prepared in advance. Hitherto people in villages worked and earned what they could unaided by their neighbours. In future when self-help spirit gets spread the collective effort of such large masses as 10 to 20,000 population will come into play and the resulting service and help cannot fail to enhance appreciably the incomes of individual citizens as well.

In the annual reviews the work done and the results achieved in every unit area should be regularly compared with its own past achievements as well as with those of other efficient unit areas in the neighbourhood.

In every sphere of economic activity, industry, efficiency, equality of opportunity and spirit of service should be encouraged as is done in America both in our educational institutions and by propaganda. Business methods and practices characterised by the precision followed in Western countries where man-power gives the highest value should be systematically encouraged by Government and faithfully followed by the working population.

Evidence is not lacking of a wide-spread recognition in the United States of America, in the past half a century, of the need of improved processes of collective action particularly in Government but also in industrial, commercial, agricultural and labour organizations.

THREATS TO SECURITY

It has been stated how the two wars, advance of science, progress of technology and new inventions have changed the conditions of existence in most parts of the world. Great changes have come about also in the Indian sub continent. On account of these changes and particularly the speeding up of communications, India has been drawn into the vortex of the world's activities. But that is not unassociated with certain dangers against which population has to safeguard itself.

These dangers are referred to here because in many cases industrial development will be needed to protect the country against them.

The first threat is the too rapid growth of population without a corresponding increase in production or income. This question was discussed by our Organisation once before. One remedy which is becoming popular all over the world but particularly among nations of advanced thought is to restrict population by resort to birth-control. There are "Planned Parenthood Associations" in countries like America and Japan to keep population down within reasonable limits. A few enlightened leaders are advocating the remedy in India too. But it will take a long time for the remedy to

become popular among our vast illiterate population. The poor are our prolific breeders. The evil should be recognised by Government and steps taken by them as well as by private agencies to establish suitable medical clinics and carry on propaganda advocating the restriction of new families generally to two children.

Some staid and sober people may turn their faces away from the consideration of this question but all thoughtful persons will appreciate the reference if they recollect the death tragedies through starvation which occurred in Calcutta in 1948, and when I mention that in my own lifetime the population of India has nearly doubled itself.

A second important measure needed to give relief to the growing population is to increase production of foodgrains within the country. Government are carrying on a vigorous "Grow More Food" campaign but it is thought as explained elsewhere that measures of that kind should be localised in future to make them effective.

A second risk is the probable insufficiency of defence measures against possible aggression. A reference to this subject does not imply that the public have not got full faith in our military leaders. There has been no reorganisation of defence forces nor any pronouncements concerning them since the country achieved independence to give the public a connected comprehensive view of the country's Defence forces and measures. Three precautions seem necessary in this respect at the present time. One is that the country should be assured that Government is taking adequate steps to manufacture the defence machinery required such as transport trucks, arms and ammunition, naval battleships and fighting aircraft. The country being independent, it should not expect sympathy or help from outside. A second precaution to take would be that the village group units referred to in the Industrialization Scheme should be made to keep trained personnel to the extent of 2 to 5 per cent. of its population always ready to join

military duty whenever required. I have seen a similar measure in force in Japan before the war. A third necessary precaution is to keep the intelligent public correctly informed of the essential military strength maintained to give them confidence; only what are regarded as military secrets may need protection.

A third great risk which we share with the rest of the world is the development and use of the Atom Bomb. The United States of America and recently Russia have both developed this terrible weapon which has roused the attention of the entire civilized world. Discussions are going on and it is hoped that the United Nations Organization (U.N.O.) will be able to take adequate steps to outlaw this weapon and put it out of arm's way. Beyond initiating atomic research herefor potential power uses, we can do nothing in this country at the present time.

There are two other comparatively minor treats to peaceful living which should not be ignored. The foremost is the enormous inadequacy of mass education. It was expected that on attaining independence special measures would be taken to extend elementary mass education as was done in Russia. All that we can say is that in whatever other respects India may show special progress, without elementary education amongst 85 per cent. of the population the country cannot rise to any higher status than a third class state. Referring to this colossal illiteracy, an American writer once said that China and India were two of the biggest slums of the world.

Another risk, in the event of an outbreak of war, will be the stoppage of petrol or mineral oil rendering all important transport vehicles inoperative, including motor vehicles and aircraft. When such an event comes to pass, the country's transport system will be paralysed and the people rendered helpless against foreign invasion. The Government has to appoint a competent committee to investigate this question and to suggest remedial measures to be taken

both by the Government and the public in an emergency.

CONCLUSION

My conclusions may be briefly summarised as follows :—

(1) There is need for a Five-Year or Ten-Year Industries Plan based on investigation. But none has been prepared so far. There are not even satisfactory statistics for this purpose. If a plan is kept ready, programmes may be got up according to funds available from year to year.

(2) A Scheme for Industrialization in Two Parts has been submitted to Government by the All-India Manufacturers' Organization. The plan for rural areas is fairly complete and is before Government. "A plan for heavy industries which are far more important and urgent for the country's economic prosperity is also required. Our Organization has submitted proposals and suggestions but as such plans are based on Government policies and resources it is in the hands of Government to draw up a complete comprehensive plan.

(3) Finances are the chief want of heavy industries at the present time. These have to be obtained by cajoling the monied classes to open their purses and invest in industries. A second alternative is to obtain loans from America in the manner England and Germany were obtaining before the war or as England is obtaining at the present time. This expedient was suggested by me, perhaps for the first time, after personal investigation in America.

(4) The greatest weakness of our time in the industrial sphere is the paucity of competent leaders and managers. But there are foreign trained Indians in employment both in business houses and private services who can be drawn upon. Save by general advertisements Government do not go in search of competent men. They only accept or reject applications when made. This may have been necessary

under the British Administration but has now become a vicious tradition. Very often mediocre men are accepted and that is one of the chief reasons why we cannot hope to do what Westerners or Americans do, or hope for progress here on Western lines in future.

Instances are not wanting in England and elsewhere of representatives of firms visiting Technical Institutes to engage students of known merit in their final year courses even before they graduate.

(5) Some industries of importance like the automobile and the bicycle should have been encouraged by grant of subsidies and subventions to save the large outlays on foreign purchases that India has long been incurring.

(6) It is necessary to postpone the following Government policies and plans :—

The threat of nationalization of industries.
Limitation of dividends from industries.
Prohibition.
Salt Tax.

These and other ideological measures would be ill-fitting so long as there are evidences of underfed or starving population in the country and so, long also as an overwhelming proportion of the population remains illiterate.

(7) It is suggested that a permanent small Committee of experts of leaders who have an aptitude for such work should be appointed to study and watch problems coming under "threats to security" mentioned before.

(8) Our Government at the Centre is preaching peace and non-violence to India and the world. Peace may be maintained in this country in practice but since the country is independent and has always to be alert against possible enemies, it does not seem desirable to lay too much and too frequent emphasis on policies and measures which may so often the ardour among our people to defend the freedom of the country or to resist aggression. Benja-

min Franklin has said: "If you make yourself sheep, the wolves will come and eat you."

(9) The Government of India have achieved a great development, *viz.*, the unification of all parts of India. Like the Samurai of former Japan many of our Princes have given up their hereditary offices. Every good achievement however has a weak side. The change may bring about a dead level of uniformity in all parts of the country which may weaken competition and enterprise. This has to be guarded against.

The question will have to be considered after the country settles down to orderly life whether it will not benefit by giving a large measure of independence to Provinces and States in financial, economic and development policies and calling upon them to account succinctly how they had used their resources during the year.

(10) As stated before we have submitted an Industrialization Scheme in Two Parts which contemplates increasing the present national income by about $3\frac{1}{2}$ times in ten years. Success of this scheme will require a new outlook on the part of Government and of industrial corporations and businessmen as indicated more fully elsewhere.

It is the confirmed view of most thinking people that the chief remedy against the prevailing poverty and distress is industrialization and associated economic activities. This remedy is likely to serve as a panacea to this distressed country if it is pursued and pushed through with the intensity of a war measure.

PLEA FOR CO-ORDINATED INDO-HYDERABAD INDUSTRIAL POLICY

A.I.M.O. STRESSES IMPORTANCE OF KEEPING HYDERABAD AS PROVINCIAL UNIT

The second day's session of the Central Committee of the All India Manufacturers' Organisation was held at the Address Hall of the Osmania University, Sir M. Visveswarayya presiding.

PLANNING COMMISSION

One of the important resolutions requesting the Government to appoint a Planning Commission with a non-official majority to advise the Government regarding the steps to be taken to ensure the rapid development of agriculture and industry was passed by the Session.

The resolution moved by Mr. M. G. Lakshminarsu, stated that as a prerequisite to the planned development, the Government should provide adequate electric power, thermal and hydro, as early as possible.

The resolution further stated that the Government should take steps for the development of basic industries like manufacture of cement and fertilisers within a fixed period and establish training centres in the country like those organised in the United Kingdom and the United States of America.

The resolution urged that in view of the unfortunate conditions prevailing in money market and with a view to supplying adequate finance for industrial development, the Government should promote the Industrial Finance Corporation to provide an incentive to private capital by abandoning the policy of nationalisation of industries except in case of certain basic ones for a period of at least 20 years and by removal of such restrictions which have hampered private production.

Speaking on the resolution urging the Hyderabad Government to appoint a Planning Commission, Mr. M. G. Lakshminarsu observed that Hyderabad was lucky in having a ruler who has prudently amassed wealth and if the Government and the people went to him with the request to make a trust of about 80 crores of rupees for the industrial development in Hyderabad, he would not say no.

FUTURE OF HYDERABAD STATE

By means of another resolution, the Committee resolved that Hyderabad should continue to be a State in Indian Union. The resolution

stated that the Hyderabad State with its financial resources and vast natural wealth could play a vital role in the economy of India.

Moved by Mr. Sagalchand Shah the following important resolution was passed :—

“This meeting of the Central Committee of the All-India Manufacturers' Association re-iterate its appeal to our manufacturers to take measures to place industrial production on more efficient basis than has been the case hitherto with the ultimate object of making Indian manufacturers competitive in internal as well as external markets by bringing down the costs, maintaining increased output and improving the quality. In the opinion of the Central Committee the present is opportune to make concerted drive in this direction in order to reap the fullest benefit out of present restrictions on imports and devaluation of the rupee, the two prime factors which have mitigated to appreciable extent adverse effect which high level prices of most commodities was having hitherto on internal consumption and sales abroad. The Committee notes with satisfaction that the Government themselves have already taken initiative to effect orderly transition to lower price levels in case of essential commodities. The Committee trusts that the Indian Manufacturers in their own interest as well as in the ultimate interest of the country will whole-heartedly co-operate with the Government in this endeavour by putting to more effective use whatever facilities they may have at present of manpower, material and machinery. The Central Committee, of course, realises that any improvement in production and efficiency will be possible only if there is requisite understanding and co-operation between the management and the labour in forcing necessary rationalisation programme and discipline. It appeals to the management to create and maintain by every possible means responsive and enthusiastic attitude on the part of employees. It appeals also to leaders of labour to extend necessary co-operation to management in all arrangements designed solely to increase efficiency and quality of production.”

CO-ORDINATED POLICY

By another resolution sponsored by B. D. Dabke, the Committee pleaded for co-ordinated industrial policy between the Indian Union and the States.

Expressing gratification at the achievement of the Government of India by way of integration of the States with the Indian Union the resolution pointed out that diverse economic policies of various Governments had slowed down the progress of the industries. The Committee welcomed, therefore, the decision of the Constituent Assembly to place within the sole jurisdiction of the Indian Union Government the control, of such industries, central control of which would be declared by Parliament by law to be expedient in public interests. These States would benefit by taking their place in the polity of India with access to technical and financial assistance from the Government of India. The Committee hoped that as a result of integration of the States with Indian Union, disequilibrium caused by partition in resources of raw materials, would be offset to some extent. The Central Committee emphasised there should be uniform control in such matters as industrial housing, release of building materials such as iron, steel and cement, etc., for industrial uses in view of the fact that a number of instances had occurred of suspension of projects sanctioned or supported by the Centre for lack of co-operation from Local Governments.

MEMORANDUM OF ASSOCIATION OF INDUSTRIAL FOUNDATION

1. The Name of the Society is Industrial Foundation.
2. The Registered Office of the Society is at Bombay.
3. The objects for which the Foundation is established are as follows :—

(i) to promote the cause of India's rapid industrialization by every possible constitutional and practical means ;

(ii) to establish an institute for technical research ;

(iii) to establish an institute of industrial economics ;

(iv) to promote social intercourse and to provide a meeting place for persons interested in the industrial development of the country by organizing a club called Industry and Commerce Club ;

(v) to sponsor or hold industrial expositions and for this purpose to organize a separate society under the auspices of the Foundation ;

(vi) to sponsor to participate in all other activities that will directly or indirectly help in the full-scale industrialisation of the country rapidly ;

(vii) to establish, subscribe to, promote, become a member of, support, co-operate or amalgamate with any other association, society, institution or company, whether incorporated or not, whose objects are altogether or in part similar to those of the Foundation ; and

(viii) to do all such other lawful things as the General Body of the Foundation may think identical or conducive to the attainment of any or all the objects of the Foundation mentioned above.

4. To achieve these objects, the Foundation shall have powers—

(a) to originate and promote improvements in the law and support or oppose alterations therein and to effect improvements in administration and for the purpose aforesaid to petition the Government or any legislative or other body or authority and to promote deputations and to take such steps and proceedings as may be deemed expedient ;

(b) to employ such staff as may be considered necessary and to establish, undertake, superintend, administer and contribute to a provident or benevolent fund for the servants of the Foundation and their dependents ;

(c) to invest any moneys of the Foundation not immediately required for any of its objects in such a manner, as may from time to time be determined ;

(d) to purchase, take on lease or in exchange, hire or otherwise acquire any real and personal property which may be deemed necessary or convenient for any of the purposes of the Foundation and to enter into other contracts and engagements ;

(e) to accept any gift of property whatever, subject to any special trust or not, for any one or more of the objects of the Foundation ;

(f) to sell, manage, lease, mortgage, dispose of or otherwise deal with all or any part of the property of the Foundation ;

(g) with the prior approval of the Foundation Council, to borrow, raise or secure the payment of money in such a manner as the Foundation Council may think fit and in particular by the issue of bonds, bills of exchange, promissory notes, securities, mortgages, or debentures charged upon all or any part of the Foundation's property and to purchase, redeem or pay off any such securities ;

(h) with the prior approval of the General Body of the Foundation Council, to transfer all or any part of the property, assets, liabilities and engagements of the Foundation to any one or more foundations, associations, societies or companies whether incorporated or not with which this Foundation is authorised to amalgamate and either gratuitously or for consideration ;

(i) to undertake and execute any trusts or any agency business which may seem to the Foundation conducive to its objects, and

(j) to do all such other lawful things as the Foundation may think identical or conducive to the attainment of any or all the objects of the Foundation.

5. The Foundation Council of the Institution shall be the Governing Body of the Society

The signatories to this Memorandum shall be the first members of the Foundation Council and shall continue as such till the Foundation Council is constituted according to the Rules and Regulations of the Foundation.

6. The income and property of the Foundation, however derived, shall be applied towards the promotion of the objects thereof as set forth in this Memorandum of Association. No portion of the income and property of the Foundation shall be paid or transferred directly or indirectly by way of dividends, bonus or otherwise, howsoever, by way of profit to the persons who, at any time are or have been members of the Institution or to any of them or to any persons

claiming through them or any of them, provided that nothing herein contained shall prevent the payment in good faith of remuneration to any member thereof or any person in return for any service rendered to the Foundation or for travelling allowance, halting and other similar charges.

7. If on the winding up or dissolution of the Foundation which shall be with the prior approval of the General Body of the Foundation there shall remain, after the satisfaction of its debts and liabilities, any amount whatsoever, the same shall not be paid to, or distributed among, the members of the Foundation or any of them, but shall be dealt with in such manner as the General Body of the Foundation Council may determine.

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2122	Second Report	.. The Iron & Steel (Major) Panel ..	1947	Govt. of India Press, Simla.
2123	Report The Silk Panel ..	1948	do ..
2124	Report Indian Tariff Board ..	1946	Govt. Central Press, Bombay
2125	Report do (Aluminium Industry)	1947	Govt. Press Simla ..
2126	Report Indian Tariff Board on the Phosphates & Phosphoric acid.	1947	Govt. Press, Madras ..
2127	Report (E. C. Ansorge, I.C.S.,	Vol. II, Present Condition of the Silk Trade of India	1916	Govt. Printing Press, Calcutta
2128	Report (H. Maxwell-lefroy)	Vol. III, The Silk Industries in India.	1916	do
2129	Report Industrial Plant & Machinery (Heavy) Panel.	..	Govt. of India ..
2130	Report United Kingdom Aircraft Mission ..	1946	do Simla ..
2131	Do Panel on Ready-made Clothing Industry.	1946	do New Delhi
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2133	Do Panel on Hosiery Industry ..	1943	do ..
2134	Do Sub-Panel on Road Rollers ..	1943	do ..
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2137	Do Indian Tariff Board on the Fire House Industry.	1947	Govt. Press Simla ..
2138	Do Cotton Textile Manufacturing Industry.	1948	do ..
2139	Do Sewing Machine Industry ..	1947	Govt. Central Press, Bombay ..
2140	Do Sodium sulphide Industry ..	1947	do ..
2141	Do Starch Industry ..	1947	do ..
2142	Do Glucose Industry ..	1947	do ..
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2145	Do Electric Motors ..	1947	do ..
2146	Do Protection of the Rubber Manufacturing	1947	do ..
2147	Do Plywood & Tea Chests Ind. ..	1947	do ..
2148	Do Wire-heads Industry ..	1948	do ..
2149	Do Motor Vehicle Battery Industry ..	1948	Government Press, Simla ..
2150	Do Cotton & Hair-belted Industry ..	1947	do ..
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2152	Do Alloy, Tool & Special Steels Industry.	1947	do ..
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2156	Do Panel on Glass Industry	Feroz Printing Work, Lahore ..
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2179	M. H. Umbricht, E. F. Hunt and C. V. Kinter.	Fundamentals of Economics	.. 1948	Mc Graw Hill Book Co., Inc., New York ..
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2194	M. H. Dobb Economics of Capitalism	Peoples Publishing House, Bombay.
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2197	F. C. King Gardening with Compost	Taber and Faber Ltd., London.
2198	Sir A. D. Hall	.. The Soil 1949	John Murray, London ..
2199	V. K. Milovanor and I. I. Sokolovskaya.	.. Stock Breeding and the Artificial Insemination of Livestock.	..	Hutchinson's Scientific and Technical Publications, London
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2201	A. L. Hagedoorn	.. Animal Breeding 1948	do do London ..
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2210	Sir A. D. Hall	.. Fertilizers and Manures	.. 1948	John Murray, London. ..
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2212	J. E. Nichols Livestock Improvement	.. 1947	Oliver & Boyd, London ..
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2217	Charles E. Kellogg	.. The Soils that support us	.. 1947	Macmillan Co., New York ..
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2221	S. G. Brade-Birks	.. Good Soil	The English Universities Press Ltd., London
2222	Leonard Robinson	.. Modern Poultry Husbandry	.. 1948	Crosby Lockwood & Son, Ltd., Littlebury & Co., Ltd., Worcester.
2223	J. G. Stewarty and others	Farming Today
2224	Ralph C. Havley	.. The Practice of Silviculture	.. 1946	John Willy & Sons, Inc. New York.
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2233	Jamshed R. Batliboi	.. The Problem of Labour Discipline in our Industries ..	1947	The Standard Accounting Publications Ltd.
2234	R. K. Dalal Business Profit Tax & Capital Gain Tax.	1948	N. M. Tripathi Ltd., Bombay
2235 The Govet. Servants Conduct Rules	1949	Govt. of India Press, Delhi ..
2236	Ministry of Law	.. The Arbitration Act, 1948	.. 1949	do do ..
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2241	Do do do Paper No. 2 ..	1949	do do ..
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2243	J. R. Battliboi	.. Principles & Practice of Auditing	1948	Standing Accounting Publications Ltd., Bombay
2244	Binod U. Rao	.. Hyderabad Reborn 1949	Govt. of Hyderabad ..
2245	S. R. Deshpandy	.. Report on an Enquiry into Family Budgets of Industrial Workers in Calcutta.	1947	Govt. of India Press, Delhi ..
2246	Ministry of Law	.. The Co-operative Societies Act, 1912 (11 of 1912)	1948	do do ..
2247	A. C. Sampath Iyengar	.. Where is Capital Gone ?	.. 1949	Indian Chamber of Commerce, Calcutta.
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2249	Do The Charitable & Religious Act.	do do
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2256	Dept. of Commercial Intelligence & Statistics, India	.. Indian Customs Tariff	.. 1949	do do
2257	Dept. of Refugee & Rehabilitation, East Punjab	.. Millions Live Again 1949	Dept. of Refugee & Rehabilitations East Punjab.
2258	Ministry of Information, Delhi.	.. Burma, our Neighbour	.. 1949	Ministry of Information, etc., India.
2259	Do	.. The Training Ship DUFFERIN	.. 1949	do do ..
2260	Publicity Dept., East Punjab Electric Power Development Schemes in East Punjab	1949	Publicity Dept., East Punjab ..

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2264	International Labour Conference, Geneva.	Financial & Budgetary Questions	1949	I.L.O., Geneva ..
2265	International Labour Office	Wartime Labour Conditions of Rural Reconstruction in India	1949	I.L.O., Montreal ..
2266	International Labour Conference, 31st Session (Report II)	Privileges and Immunities of I.L.O.	1948	International Labour Office, Geneva.
2267	Do 32nd Session (Report I)	Report of the Director-General ..	1949	do do ..
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2391	Jessup Philip, E.	.. A Modern Law of Nations ..	1948	Macmillan & Co., New York ..
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2501	Govt. of India	.. Air Survey and Soil Erosion	1946	New Forest P.O., Dhera Dun, U.P., India.
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2505	Ministry of Labour	.. Report.—Industrial Committee ..	1948	Government of India Press, Simla.
2506	Bureau of Education, India	Directory of Educational, Scientific, Literary and Cultural Organisations in India.	1948	Manager of Publications Delhi.
2507	General and Provincial Govts. in India.	Combined Finance & Revenue Accounts.	1947	do do ..
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2510	Ranga, N. G.	.. National Revolutionary Path ..	1945	do do ..
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2533	A. N. Sharma	.. Technical and Professional Studies in India.	1948	Time Publishing Co., Delhi ..
2534	K. P. Viswanatha Ayyar & others.	Indian Press Year Book for 1949	1949	Indian Press Publications, Madras.
2535	Committee : Calcutta Stock Exchange Assn. Ltd.	The Calcutta Stock Exchange Official Year Book, 1949	1949	The Calcutta Stock Exchange Assn. Ltd., Calcutta.
2536	The Eastern Economist	A Peoples Plan "1950-55"	1947	Eastern Economist, Delhi
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2733	S. H. Steinberg	.. The Statesman's Year Book, 1949	1949	Macmillan & Co., London ..
2734	Mallikharjun Rao	.. The Madras Agriculturists Relief Act.	1949	P. Varadachary & Co., Madras
2735	V. S. Vyas The Madras General Sales Tax Act.	1949	do do ..
2736	Somers, H. M.	.. Public Finance & National Income	1949	The Blakiston Co., Toronto ..
2737	Killough, H. B. & L. B.	.. Economics of International Trade	1948	Megraw Hill Book Comp., Toronto
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2753	Ministry of Information & Broadcasting, Govt. of India.	Rajaji's Speeches ..	1949	Ministry of Inf. & Broadcasting, India ..
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